

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund	)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
)	
Developing an Unified Inter-carrier Compensation Regime	)	CC Docket No. 01-92
)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
)	
Lifeline and Line-Up	)	WC Docket No. 03-109
)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208

APPENDIX C

AFFIDAVIT OF TAMMY S. VEASY

IN SUPPORT OF

**EMERGENCY PETITION OF ALLBAND COMMUNICATIONS COOPERATIVE
FOR INTERIM PARTIAL WAIVER OF THE PART 54.302 RULE AND FOR
INCREASED PER-LINE SUPPORT**

I, Tammy S. Veasy, being of lawful age and duly sworn, state as follows:

1. My name is Tammy S. Veasy. My business address is 7251 Cemetery Rd., Curran, MI 48728. My title is Controller of Allband Communications Cooperative (“ACC”) and its non-regulated affiliate, Allband Multimedia, LLC (AMM). I have worked in this capacity since November 2012. I am responsible for the financial oversight of ACC and AMM including budgetary, forecasting, Part 32 and 64 oversight of non-regulated allocations, affiliate

transactions, taxation, human resource management and share operational and regulatory reporting duties with the General Manager. I have held various senior financial management positions since 1982.

2. ACC was incorporated on November 5, 2003 as a non-profit, 501c12 member-owned Cooperative and is a licensed Incumbent Local Exchange Carrier (ILEC), pursuant to the laws of the State of Michigan and the 2005 Order of the Federal Communications Commission (“FCC” or “Commission”).¹ ACC began the construction of its network in its previously unserved, green-field service territory in 2005 and activated its first customer in November 2006.

3. AMM is a Michigan limited liability company which is a wholly owned subsidiary of ACC and is set up as a member managed company whereby ACC’s Board of Directors, acting on behalf of ACC, directly manages AMM. The purpose of AMM is to undertake the retail sales of non-regulated communications and related services, including Internet, wireless, Voice over IP and other products and services. Additionally, AMM is the provider of all services outside of ACC’s regulated study area, which includes ACC’s American Recovery and Reinvestment Act (ARRA) grant expansion, which commenced in 2010. AMM activated its first non-ACC customer in 2012 and transmits its products and services over a fiber network separate from ACC, but follows Part 32, Part 64 and FCC affiliate transaction rules to share operational and network resources with ACC.

4. I submit this affidavit in support of the accompanying Emergency Petition of ACC for Interim Partial Waiver of the Part 54.302 Rule and for Increased Per-line Support. I hereby verify that as the Controller of ACC and AMM, I have reviewed all the attachments in

¹ See, In the Matter of Allband Communications Cooperative Petition for Waiver of Sections 69.2(hh) and 69.601 of the Commission’s Rules in WC Docket. 05-174, released August 11, 2005, (Allband Order).

support of the accompanying petition and verify to the best of my knowledge and belief that the financial information provided by ACC (and AMM), and its consultants, accurately present the financial status of ACC (and AMM) and the need for interim support for ACC above the \$250 cap as presented in said petition.

5. I have reviewed and concur with the amount of support above the \$250 per-line cap calculated and recommended by Tim Morrissey of FWA in his January 10, 2017 affidavit accompanying this request, which recommended a minimal interim level of HCLS and ICLS support of \$724,742 or \$375 per line/month. The Interstate Common Line Support (ICLS) and High Cost Loop Support (HCLS), for purposes of requesting an emergency partial interim per-line increase of \$375, were calculated by including only costs for return on investment, depreciation expense, operating taxes and cost study expense, all of which are unaffected by and outside the scope of the USAC review being conducted pursuant to the Commission's July 20, 2016 order. All other expenses that are subject to USAC's pending review, normally included in HCLS, including plant specific expenses, plant non-specific expenses, customer service expenses and corporate expenses, except cost study fees, were excluded from the calculations for purposes of supporting the requested emergency interim partial increase in per-line support. The HCLS amount also reflects ACC's pro rata share of the reduction necessary to meet the overall budgeted HCLS.

6. Additionally, I have also reviewed the affidavit prepared by Christine Duncan of JSI, dated January 10, 2017 which accompanies Allband's Emergency Petition, affirming the adoption by ACC of corrective actions for compliance with the Commission's rules for cost allocations and in support of ACC's petitions for Emergency Waiver of 47 C.F.R. §54.302 for an Interim Partial increase in per-line support above the \$250 per-line cap, pending completion of, and review of, USAC's compliance review (which ACC expects will support yet a further

increase in per-line support above the \$375 per-line support requested in ACC's emergency petition). JSI has reviewed ACC's accounting and time reporting procedures for both regulated and non-regulated operations and worked with ACC management to develop a corrective action plan which addresses the Commission's July 20, 2016 order.

7. Pursuant to Section 1.3 of the Commission's rules, and the Commission's prior Waiver Orders, ACC respectfully petitions the Commission to promptly review and approve its emergency interim request to prevent irreparable harm until ACC can complete its current compliance review with USAC, and to thereafter submit a further revised waiver petition to the FCC in accordance with its July 20, 2016 Order. Absent an interim higher level of support as requested by ACC's accompanying Emergency Petition, the continuing revenue reductions caused by the implementation of the part 54.302 rule and the July 20, 2016 Order will irreparably harm ACC and its customers by providing insufficient revenue to:

- Continue to provide voice and 911 ILEC services to any of its customers.
- Continue operations as an ILEC telecommunications carrier in its otherwise unserved exchange.
- Pay the principal and interest on ACC's existing loan issued by the USDA Rural Utility Service (RUS), which was based on the financial security provided by the previously FCC authorized and now contemplated, USF funding.

8. Allband accepted a taxpayer funded RUS loan for its greenfield (unserved) exchange in 2005 totaling \$8,067,000. In early 2006, Allband made its first RUS loan payment and has not missed a monthly payment since. As of December 2016, ACC's monthly RUS loan payment was \$54,147.17 as demonstrated by the included **December 2016 RUS Statement of Interest and Principal Due (Attachment #1)**. To demonstrate the reliability of Allband's payment history, an **Amortization Schedule of Allband's RUS Loan Payments (Attachment**

#2) has also been attached. This schedule details ACC's monthly payments broken down by principal and interest and shows the resulting principal balance decline throughout the note from inception to December 30, 2016, which reflects a remaining balance of \$4,994,181.92. Allband's monthly payment of \$54,147.17 divided by the amount of lines in the Cooperative – 162, totals approximately \$334 per line. Without the fee-based USF recovery mechanism, which the FCC originally granted ACC access to in its 2005 waiver, ACC's tax-funded RUS loan is in obvious jeopardy. The current level of support - \$250 per line per month, as reduced pursuant to the Commission's July 2016 Order, is not nearly enough for ACC to pay its RUS loan obligations, let alone to fund operations and provide reserves for upgrades, repairs and expansion. This fact highlights the reality that the FCC's July 20, 2016 order is undercutting the financial security of a taxpayer-supported loan granted by a sister regulated entity--the RUS.

9. The FCC, in its July 20, 2016 order stated², “based on the record before us, we cannot assess the merits of Allband's argument that denial of the waiver will have severe financial impact. To evaluate fully the company's situation would require a more detailed submission regarding all expenses to determine whether the company has taken all reasonable efforts to reduce operating expenses during this period.”

While ACC understands that the FCC requires a detailed submission to aid in its analysis of ACC's dire financial situation, Allband has maintained for years, as confirmed by the FCC's own order in 2012³, that the operational viability of ACC is closely tied to its USF support,

² See, In the Matter of Connect America Fund, Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules in WC Docket. 10-90, released July 20, 2016 (Allband Order), Section 28

³ See, In the Matter of Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules in WC Docket. 10-90, released July 25, 2012 (Allband Order), Section 12: “We also find that the public interest would be served by granting a waiver for a limited period of time. Specifically, we find that the record supports Allband's claims that consumers in the area will not be able to continue to receive voice service, absent a waiver in

therefore it should not surprise the FCC that the sudden reduction of ACC's support to \$250 per line as of July 1, 2016 and the time-consuming and expensive process to restore ACC's support as directed in the July 2016 order, would have the following adverse impact on the Cooperative, which further supports emergency interim relief:

- The waiver denial, and the time it has taken so far to resolve our compliance review with USAC per the July 20, 2016 order, has jeopardized ACC's cash flow to the point that it will be forced to cease operations in January 2017 or very soon thereafter if no relief is obtained.
- The drastic reduction in support has resulted in the depletion of ACC's capital reserves, which was used to maintain operations and make payments on its RUS loan. This unexpected loss of capital has left the Cooperative in a dire position in terms of its ability to continue operations, install new infrastructure and make repairs and upgrades to its network. As of June 30, 2016, ACC had reserves of \$279,722.16, virtually all of which has been spent to remain solvent as demonstrated by the attached **trial balances for ACC and AMM (Attachments #3a and #3b)**. ACC's current cash reserves will be depleted by 50% at the end of December once Allband makes its December 2016 RUS loan payment.

the near-term. In reviewing Allband's financial statements, it appears that the management of Allband is mindful of its expenses and limited financial resources given the size of its business. For example, in our view, the salaries and wages of Allband's seven employees are modest.⁴¹ Similarly, while certain other expenses, such as legal, accounting, and insurance are ongoing and an unavoidable cost of doing business, Allband's level of expenses, on a total dollar basis, are reasonable given the size and age of Allband's operation.⁴² Accordingly, we find that Allband is not in a position to immediately reduce its expenses in these areas. Similarly, given the low population density in Allband's service territory, Allband also will not be in a position to increase its revenues from consumers in the short-term."

- Purchasing has been reduced to emergency-only expenditures which is causing an increase in purchasing costs as ACC is no longer able to take advantage of cost-break quantities.
- Due to the support reductions stemming from the July 2016 Order, ACC was forced to reduce its staff from a team of eight to a team of five for the combined entity, including ACC and AMM, its lowest staffing level since 2009, **as demonstrated on the chart per Attachment #4**. The \$250 cap has caused:
 - A severe reduction in growth potential as our business development manager left the company due to job loss fear stemming from the FCC reform, and the loss of our sales and marketing staff who are no longer employed with ACC, as they were laid off due to the July 2016 support reductions.
 - Cut-backs on outside plant operations has limited our ability to install new service lines, hire contractors, and forced us into a non-expansionary, non-sustainable, temporary survival mode.
 - The elimination of performance bonuses, and a freeze on wage increases, and a possible wage reduction, have adversely impacted employee morale.
- ACC continues to spend a large amount of capital on legal and consulting expense as it has been forced to apply for burdensome waivers, take legal action to protect its existence, conduct audits and reviews with USAC as ordered by the FCC, and engage RUS to attempt a renegotiation of new payment terms on its loan. As demonstrated by the **enclosed expense analysis (Attachment #5)**, ACC has spent approximately \$400,000 through November 2016 on legal, accounting, and consulting in response to the FCC's USF reform and inexplicable focus on ACC. This does not include the taxpayer expense incurred by the FCC itself nor the expense associated with the efforts of

the General Manager, Ron Siegel and myself, which includes countless hours of analysis, meetings, document development, data requests and travel expense. The reform approach and waiver requirements that were and continue to be arbitrarily applied to Allband is an unfortunate, counter-productive and wasteful process that forced Allband to redirect much needed capital that could have been used to expand its services, repay its RUS loan and achieve the various objectives set forth in the FCC's 2012⁴ waiver order.

10. ACC, since receiving its temporary Waiver of the Part 54.302 Rule in its June 29, 2015 order, has been extremely proactive in its efforts to correct any compliance issues that may exist with its accounting procedures. For example, after a multi-day visit in September 2016 with JSI, ACC swiftly developed and implemented revised procedures to ensure full compliance with the Commission's Part 32, 54 and Part 64, Subpart I rule. ACC's onsite review with JSI was completed on September 14, 2016, and an official compliance report outlining what steps ACC and JSI have taken to address the findings in the July 2016 Order was given to USAC on September 26, 2016 during their onsite review at ACC's office. In addition to onsite evaluations and development, and to further solidify the accuracy of ACC's procedures, I also attended a four day JSI accounting seminar from September 19 to September 23, 2016, which focused on Part 32, 54 and Part 64 separations and access, and was presented by JSI's Vice President of Separations and its Director of Separations.

In regards to the overall compliance review process with USAC, ACC has maintained a sense of urgency in its efforts to review and revise its cost accounting practices with USAC per

⁴ See, In the Matter of Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules in WC Docket. 10-90, released July 25, 2012 (Allband Order).

its July 20, 2016 order⁵, so as to permit the FCC to promptly reinstate an elevated level of USF support through an additional waiver submission. Per the July 2016 Order, the FCC stated that “within three months of Allband’s submission, we direct USAC to determine whether Allband’s revised cost accounting practices adhere to our rules for cost allocation between regulated and nonregulated activities, and notify the Bureau”.

Given that it has been approximately five months since the 2016 Order was released and USAC has not given ACC a firm date for the completion of its review, Allband has elected to move forward on an emergency basis per the accompanying petition, to prevent, what ACC feels, is the gradual erosion of its historical efforts and existence.

Per the below timeline of events, noting that ACC has worked diligently to mitigate any compliance issues that would create gaps in funding and in turn cause financial harm, continues to push USAC for further progress on its compliance review so a waiver can be submitted to reinstate ACC’s full and entitled support:

- December 31, 2014 - ACC submits Further Waiver Request of the Part 54.302 Cap as its previous waiver was set to expire on July 1, 2015.
- April 1, 2015 – Concerned that ACC would not receive a response from the FCC before its current waiver was set to expire on July 1, 2015, ACC and FWA hold an Ex Parte meeting at the FCC to discuss its need for a waiver extension of the Part 54.302 Rule and reiterates the critical nature of its USF support levels.
- June 29, 2015 – FCC Order is released Denying ACC’s December 14, 2015 waiver request, but extends its waiver until USAC can conduct a review of ACC’s regulated accounting and submit a memorandum to the FCC.

⁵ See, In the Matter of Connect America Fund, Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules in WC Docket. 10-90, released July 20, 2016 (Allband Order), Sections 8 & 23

- July 10, 2015 – ACC engages USAC regarding the review process.
- July 2015 to September 2015 - ACC and USAC conduct its review, which includes weekly conference calls, emails, vast amounts of record keeping analysis, review and submissions to USAC, with the process commonly being described as a forensic analysis, not an audit, by consultants experienced with the process and does not follow any audit protocols such as the USGAO Government Auditing Standards 2011 Revision.
- September 23, 2015 – USAC submits a memorandum to the FCC regarding ACC’s accounting without giving ACC an opportunity to discuss the findings or review the memorandum before it was submitted to the FCC. Multiple requests to USAC to discuss their findings are rejected due to the FCC’s unwillingness to allow ACC access to a draft of the memorandum or the results.
- October 13, 2015 – USAC shares the memorandum with ACC for the first time and before filing it on the public docket for the purpose to enable ACC an opportunity to redact portions of the memorandum should ACC so choose.
- November 12, 2015 – Allband on its own accord, files its response to USAC’s memorandum, taking issue with the process, content and methodology and offers its own interpretation of the results, as ACC was not given an opportunity to officially comment before the memorandum was given to the FCC.
- June 9, 2016 – After waiting seven months for feedback on its response to the USAC memorandum and never receiving a single communication from the FCC since the USAC memorandum was submitted, ACC receives positive feedback from their Senate representatives, who held a joint call with the FCC, that a

decision would be made soon and that the FCC was aware of the Universal Service and financial challenges Allband is facing.

- June 28, 2016 – After receiving surprising feedback from the FCC that a waiver denial is pending with possible severe financial implications and harm to ACC, and that the waiver is being circulated with the Commissioners, instead of the Wireline Bureau, ACC management and its consultants, hold an Ex Parte with the legislative aids of each FCC commissioner to reinforce its need for a waiver, to express its frustration with the USAC review process, and to review the content of its response to the USAC memorandum. ACC expresses its sincere frustration with the waiver process and engages the FCC regarding the seven-month gap between the USAC memorandum and their order, which in that amount of time, could have been used to proactively correct ACC's procedures, issue a waiver and ultimately prevent the undue harm that ACC is now experiencing.
- June 28, 2016 – After learning from the FCC Ex Parte that another USAC review is likely, Ron Siegel, ACC General Manager contacts USAC to inquire on the upcoming process and to request an immediate call or onsite meeting while in Washington DC. This offer is declined by USAC.
- June 29, 2016 – Knowing that its waiver request will be denied and its support reduced to \$250 per line, ACC files an emergency petition with the FCC requesting a temporary extension of its per line support, knowing that the reduction of support would be financially harmful to ACC.
- July 20, 2016 – the FCC issues an order denying Allband its waiver request, denying its approximately four-year-old Application for Review challenging the

Part 54.302 Rule and ordering USAC to conduct a compliance review of Allband's accounting procedures, using the un-challenged data from the previous USAC review.

- July 21, 2016 – ACC General Manager, Ron Siegel contacts USAC to inquire about the FCC Order and when the USAC compliance process can commence.
- July 22, 2016 – Allband holds its first call with USAC to discuss the compliance review requested by the FCC in its July 20 Order.
- July 22, 2016 to September 25, 2016 - ACC and USAC begin its compliance review, which includes weekly conference calls, emails, vast amounts of record keeping analysis, review and submissions to USAC.
- September 12, 2016 to September 14, 2016 – ACC engages JSI to meet with ACC management at its Curran, MI office and conducts a 3rd party review of its regulated and non-regulated accounting so that it can expeditiously address the findings in the July 2016 Order and create a corrective action plan that can be presented to USAC (note that this was NOT requested by USAC, but was a measure taken by ACC management to speed up the review process).
- September 19, 2016 to September 23, 2016 – Tammy Veasy, Allband Controller, attends a Part 32, 54 and Part 64 separations and access training program, presented by JSI's Vice President of Separations and its Director of Separations, to ensure that ACC has the most current information regarding FCC separations procedures.
- September 26, 2016 – ACC and FWA meet with USAC at Allband's Curran, MI office to focus on the compliance review in an effort to speed up the process and present ACC's self-imposed compliance changes to USAC. Other than asking

for data to review, USAC had not yet made suggestions to ACC regarding needed changes or procedures to implement. ACC therefore, in an effort to mitigate financial harm by speeding up the review process, presented a report to USAC that addressed the various compliance concerns referenced in the July 2016 Order.

- October 5, 2016 – Knowing that most regulatory decisions by the FCC are historically time-intensive, displeased with the progress of the USAC compliance review and knowing that an entire waiver request process is still forthcoming with the FCC before financial relief can be realistically obtained by ACC, a request is sent to USAC, requesting that it support an emergency waiver petition for an interim level of support above the cap so that ACC can at least obtain the cash flow needed to operate its network and prevent a default on its RUS loan. This request was denied by USAC, stating that it could not deviate from the direction of the FCC, but that the memo was shared with the Commission. ACC did not receive any subsequent input from USAC nor the FCC in regards to an interim level of support.
- October 6, 2016 to Present - ACC and USAC continue its compliance review, which still includes weekly conference calls, emails, record keeping analysis, review and data submissions to USAC. While USAC has shared its commitment to finalizing the process, ACC to date, has not seen a draft of the memorandum, which USAC has committed to sharing with ACC, nor has USAC committed to a final memorandum submission date to the FCC. USAC has clarified to ACC, that the first review and this review are not subject to the

USGAO Government Auditing Standards 2011 Revision or any other oversight procedures.

Again, Allband has comprehensively addressed every issue regarding possible compliance errors, including those documented in the July 20th Order and the ones raised by USAC in emails to Allband during its current “special” review, which is ongoing. In some cases, Allband believes that the “finding” does not indicate a compliance error and has indicated to USAC, with appropriate support, its belief in that respect. In other cases, Allband agrees that a finding does indicate a compliance error and has indicated to USAC the corrective actions Allband is undertaking. Where Allband is undertaking corrective action, it is doing so presently. **A historical reference of all emails and phone calls between USAC and Allband are documented in Attachment #6**, including specific compliance discussions and what action Allband has taken to address each compliance inquiry.

Notwithstanding any issues raised by USAC for which Allband may not have the benefit of comprehensive feedback, Allband has, with the assistance of JSI, undertaken to develop and implement corrective action. **A detailed and thorough corrective action summary (Attachment #7)** has been attached which not only addresses the compliance concerns documented by the FCC in its July 2016 Order, but also any compliance concern presented by USAC since Allband’s “special” review began in July 2016.

11. After extensive review, I wish to clarify a specific finding in the September 23, 2015 USAC Memorandum, #2 Affiliated Transactions on page 2, 3 and 4 and more specific Appendix D on page 37, USAC noted that while NECA tariffed rates were used when charging the affiliate, because these rates were not updated in a timely manner, the affiliate was undercharged for the services performed on its behalf. Had ACC utilized the current NECA rates during those time periods billed, the total DSL and special access revenue billed to AMM

could have resulted in additional revenue for ACC. USAC IAD inquired with ACC and ACC informed USAC IAD via email that the use of the outdated tariffed rates was in error. Allband recognizes that Section 32.27 (affiliate transactions) requires that correct tariff rates be charged to affiliates. However, Allband's review of the issue indicates that with respect to ACC, the billing of incorrect, lower rates does not affect ACC's revenue. Because ACC is a member of the NECA Traffic Sensitive pool, ACC's revenue for wholesale DSL is based on its revenue requirement submitted to NECA. The billed revenue is netted with the revenue requirement to determine a settlement amount. If the cost study cost of service is higher than the revenue received based on billing of tariffed rates, ACC received a net settlement amount from the NECA pool. If the cost study cost of service is lower than the revenue received based on billing of tariffed rates, ACC remits a net settlement amount to the NECA pool. In either case, when errors in billing by the ILEC pool participant become known, and are for a month or months within the 24-month open period for any month, a correction is made and the pool participant adjusts its reporting to NECA. The pool participant, to the extent possible given FCC restraints on back-billing for carrier errors, bills or credits the customer for the correction. In the case of billing to an affiliate, FCC constraints on back-billing may not apply and thus charges or credits to the affiliate can be made for all months concomitant with the adjustments made in NECA reporting. Therefore ACC's earlier admission was incorrect and is withdrawn.

12. The implementation of the \$250 cap, and the pending or unresolved compliance matters between USAC and ACC, as outlined in section 10, is creating an unfair gap in funding and draconian results on ACC and its efforts to continue making payments on its RUS loan, provide ILEC services in its exchange, and make progress in its efforts to mitigate or reduce per line support through the pursuit of new sources of revenue.

13. In sections 24 and 25 of the Commission's July 20, 2016 order, the FCC instructs USAC to, "initiate through its regular procedures recovery actions for all HCLS and interstate common line (ICLS) support in excess of the amounts of support Allband should have received", from 2012 to the July 20, 2016⁶. The claw-back referenced in the order, should not dissuade or delay the FCC in granting the relief requested in accompanying emergency petition because the July 2016 order dedicated the process as a final step in ACCs compliance review and any claw back may be minimal (if any) due to offsets that are relevant to ACC's current review. For example, per Allband's 2011 Cost Study which impacted 2013 USF disbursements, Allband was shorted approximately \$124,420, because the Commission's July 25, 2012 Waiver Order limited Allband's support based on the first six months of its 2012 disbursements (annualized). Per Allband's 2012 Cost Study, which impacted 2014 USF disbursements, Allband lost approximately \$110,102 related to the 2012 order. Allband asserts that this unintended Commission oversight should be considered by the Commission in determining any claw-back of overpayment, if applicable, as Allband did not receive the entire amount of USF support it was entitled to in 2013 and 2014. In addition to the above loss of support, the shortfall between the current \$250 per line cap and Allband's yet to be determined, post-compliance review level of support, also should be reconciled in determining any potential claw-back against ACC by USAC. Finally, if a reconciliation by USAC is determined at a later time, such an adjustment could be made prospectively over time without further endangering ACC's ability to provide service and maintain a viable cash flow.

14. In closing, the prompt grant of the emergency relief as proposed by ACC, so as to mitigate in part, the loss of support imposed by the July 20, 2016 order, is critically necessary

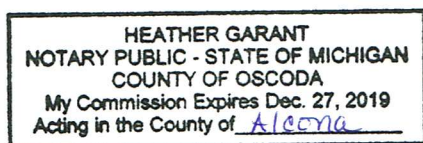
⁶ See, In the Matter of Connect America Fund, Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules in WC Docket. 10-90, released July 20, 2016 (Allband Order), Sections 24 & 25

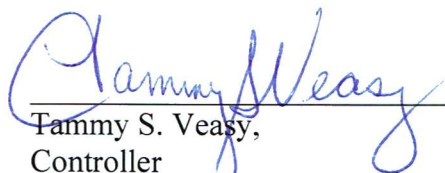
at this time to enable ACC to pay in full or partially pay its monthly RUS loan payment, and to prevent an imminent shutdown of services while its ongoing USAC compliance review can be finalized and a new more permanent FCC Waiver application can be submitted. Emergency relief on ACC's petition is also necessary due to the amount of time the current review and waiver process has taken, and to facilitate ACC's ability to maintain the level of cash flow needed to remain operational. A justified level of support above the cap for ACC on an interim basis, while a final level is developed and requested, would help mitigate the oncoming crises and extend the survivability of ACC, pending completion of the USAC review and the submission of a revised waiver petition supporting yet a higher per-line USF support above the interim increase to \$375 per line as requested in ACC's accompanying Emergency Waiver petition.

15. This completes my affidavit.

VERIFICATION

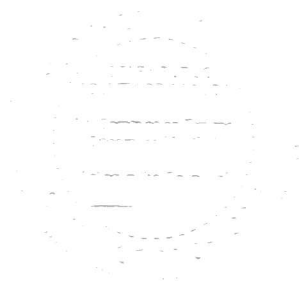
I, Tammy S. Veasy, declare under penalty of perjury that the statements in this Affidavit are true and correct to the best of my knowledge and belief.





Tammy S. Veasy,
Controller
Allband Communications Cooperative
7251 Cemetery Rd.
Curran, MI 48728

Subscribed and sworn before me, this
12 day of January, 2017.
Heather Garant
Heather Garant (Printed Name)
Notary Public, Oscoda
Acting in the County of: Alcona
My Commission Expires: 12/27/19



BILLING OF INTEREST AND PRINCIPAL DUE

260570	12/31/2016	\$54,147.17	Page 1 of 2
REFERENCE NUMBER	DATE DUE	* NET TOTAL DUE	

AllBand Communications Cooperative
7251 Cemetery Road
Curran, MI 48728

QUESTIONS ABOUT THIS BILLING SHOULD BE DIRECTED TO:

USDA / RURAL DEVELOPMENT
 TELEPHONE AND ELECTRIC SERVICES BRANCH
 FC - 1314
 4300 Goodfellow Blvd.
 ST. LOUIS, MISSOURI 63120-1703
 VOICE (314) 457-4049
 EMAIL: RD.NFAOC.TESB@STL.USDA.GOV

REMITTANCE INSTRUCTIONS

FEDWIRE BANK ROUTING
 ROUTING TRANSIT NO. 021030004 TREAS NYC
 ACCOUNT (ALC) 12200408
CUSTOMER INITIATED PAYMENTS (CIP)
 Go to: <https://rdupcip.sc.egov.usda.gov> and follow on-line information.
 Your payments must be scheduled by 8:00 P.M. Eastern Time the
 business day before it is due.
 For questions about CIP contact the Cash Management Branch (CMB) at
 (314) 457-4023.

SUMMARY LIST OF BILLING

<u>Program</u>		<u>Total Amount Due</u>	<u>Overdue Amount</u>
Rural Electric And Telephone	\$	54,147.17	

GRAND TOTAL DUE	\$	54,147.17
PROJECTED EARNED INTEREST CREDIT	\$	0.00
NET TOTAL DUE	\$	54,147.17

Projected Cushion of Credit Balance through Due Date

Cushion of Credit Balance	\$.00
Projected Earned Interest	\$	.00
Total Projected Cushion of Credit Available	\$	.00

* Per Regulation 7 CFR 1785.67 Net Total Due reflects the Grand Total Due less Projected Earned Interest Credit on Cushion of Credit up to the amount of the Grand Total Due.

Projected Earned Interest amount is subject to change due to Cushion of Credit activity after bill generation.

** Overdue amounts are included in the "Total Amount Due" for the program.

Amortization Schedule of Allband Communications Cooperative RUS Loan Payments

Date Granted 8/23/2005
Original Principal 8,067,000.00
Rescinded 463,130.00 on 10/22/2012
Net Principal 7,603,870.00
Interest Rate 5%
Term 21 Years

	Date Due	Total Draws and Interest Financed	Total Payment	Principal	Interest	Principal Balance
2005	12/31/2005	1,628,660.00	3,793.35		3,793.35	1,628,660.00
		1,628,660.00	3,793.35	-	3,793.35	
2006	3/31/2006		20,358.25		20,358.25	1,628,660.00
	6/30/2006		20,358.25		20,358.25	1,628,660.00
	9/30/2006		20,358.25		20,358.25	1,628,660.00
	12/31/2006	2,485,945.18	20,358.25		20,358.25	4,114,605.18
		2,485,945.18	81,433.00	-	81,433.00	
	1/31/2007	313,025.00	12,028.49		12,028.49	4,427,630.18
	2/28/2007	215,513.00	12,065.08		12,065.08	4,643,143.18
	3/31/2007		14,272.92		14,272.92	4,643,143.18
	4/30/2007		13,812.55		13,812.55	4,643,143.18
	5/31/2007		14,272.95		14,272.95	4,643,143.18
2007	6/30/2007		13,812.53		13,812.53	4,643,143.18
	7/31/2007		14,272.95		14,272.95	4,643,143.18
	8/31/2007	84,551.00	14,272.96		14,272.96	4,727,694.18
	9/30/2007		14,194.77		14,194.77	4,727,694.18
	10/31/2007		14,631.99		14,631.99	4,727,694.18
	11/30/2007		14,159.99		14,159.99	4,727,694.18
	12/31/2007	104,092.00	14,632.01		14,632.01	4,831,786.18
		717,181.00	166,429.19	-	166,429.19	
	1/31/2008		15,218.22		15,218.22	4,831,786.18
	2/29/2008		14,062.99		14,062.99	4,831,786.18
2008	3/31/2008		15,032.85		15,032.85	4,831,786.18
	4/30/2008		24,563.87	10,015.95	14,547.92	4,821,770.23
	5/31/2008		25,989.74	9,924.49	16,065.25	4,811,845.74
	6/30/2008		25,471.57	10,465.27	15,006.30	4,801,380.47
	7/31/2008		26,077.50	10,210.01	15,867.49	4,791,170.46
	8/31/2008	347,303.00	25,978.32	10,247.73	15,730.59	5,128,225.73
	9/30/2008		28,890.85	11,817.17	17,073.68	5,116,408.56
	10/31/2008		28,416.39	11,266.78	17,149.61	5,105,141.78
	11/30/2008		31,124.22	12,946.80	18,177.42	5,092,194.98
	12/31/2008		30,929.69	12,432.08	18,497.61	5,079,762.90
		347,303.00	291,756.21	99,326.28	192,429.93	
	1/31/2009		30,929.69	12,415.22	18,514.47	5,067,347.68

Amortization Schedule of Allband Communications Cooperative RUS Loan Payments

	2/28/2009		38,506.33	16,588.16	21,918.17	5,050,759.52
	3/31/2009		35,980.01	14,581.64	21,398.37	5,036,177.88
	4/30/2009	390,468.00	35,980.01	15,336.44	20,643.57	5,411,309.44
	5/31/2009		38,944.04	15,852.52	23,091.52	5,395,456.92
	6/30/2009		38,783.57	16,658.98	22,124.59	5,378,797.94
	7/31/2009		38,783.57	15,996.68	22,786.89	5,362,801.26
	8/31/2009		38,783.57	16,055.95	22,727.62	5,346,745.31
	9/30/2009		38,783.57	16,859.11	21,924.46	5,329,886.20
	10/31/2009	881,329.00	38,783.57	16,202.05	22,581.52	6,195,013.15
	11/30/2009		45,346.81	19,817.71	25,529.10	6,175,195.44
	12/31/2009		45,226.08	19,056.82	26,169.26	6,156,138.62
2009		1,271,797.00	464,830.82	195,421.28	269,409.54	
	1/31/2010		45,226.08	19,127.39	26,098.69	6,137,011.23
	2/28/2010		45,226.08	21,725.15	23,500.93	6,115,286.08
	3/31/2010		45,226.08	19,307.97	25,918.11	6,095,978.11
	4/30/2010		45,226.08	20,213.30	25,012.78	6,075,764.81
	5/31/2010		45,226.08	19,470.70	25,755.38	6,056,294.11
	6/30/2010	798,229.00	45,226.08	20,381.56	24,844.52	6,834,141.55
	7/31/2010		45,226.08	19,645.44	25,580.64	6,814,496.11
	8/31/2010		54,517.13	22,347.27	32,169.86	6,792,148.84
	9/30/2010		51,236.74	23,372.73	27,864.01	6,768,776.11
	10/31/2010		51,236.74	22,527.10	28,709.64	6,746,249.01
	11/30/2010		51,236.74	23,552.04	27,684.70	6,722,696.97
	12/31/2010		51,236.74	22,735.49	28,501.25	6,699,961.48
2010		798,229.00	576,046.65	254,406.14	321,640.51	
	1/31/2011		51,236.74	22,819.90	28,416.84	6,677,141.58
	2/28/2011		51,236.74	25,589.65	25,647.09	6,651,551.93
	3/31/2011	250,929.00	51,236.74	23,047.30	28,189.44	6,879,433.63
	4/30/2011		53,419.55	24,962.30	28,457.25	6,854,471.33
	5/31/2011		53,178.93	24,120.95	29,057.98	6,830,350.38
	6/30/2011		53,178.93	25,157.44	28,021.49	6,805,192.94
	7/31/2011		53,178.93	24,333.57	28,845.36	6,780,859.37
	8/31/2011		53,178.93	24,337.02	28,841.91	6,756,522.35
	9/30/2011		53,178.93	25,460.76	27,718.17	6,731,061.59
	10/31/2011		53,178.93	24,641.41	28,537.52	6,706,420.18
	11/30/2011		53,178.93	25,666.55	27,512.38	6,680,753.63
	12/31/2011		53,178.93	24,862.01	28,316.92	6,655,891.62
2011		250,929.00	632,561.21	294,998.86	337,562.35	
	1/31/2012		53,178.93	25,037.96	28,140.97	6,630,853.66
	2/29/2012		53,178.93	26,958.79	26,220.14	6,603,894.87
	3/31/2012		53,178.93	25,249.95	27,928.98	6,578,644.92
	4/30/2012		53,178.93	26,261.80	26,917.13	6,552,383.12
	5/31/2012		53,178.93	25,472.13	27,706.80	6,526,910.99
	6/30/2012		53,178.93	26,470.29	26,708.64	6,500,440.70

Amortization Schedule of Allband Communications Cooperative RUS Loan Payments

	7/31/2012		53,178.93	25,688.40	27,490.53	6,474,752.30
	8/31/2012	117,220.00	53,178.93	25,808.22	27,370.71	6,566,164.08
	9/30/2012		54,499.47	27,277.45	27,222.02	6,538,886.63
	10/31/2012		54,147.17	26,500.73	27,646.44	6,512,385.90
	11/30/2012		54,147.17	27,486.61	26,660.56	6,484,899.29
	12/31/2012		54,147.17	26,725.50	27,421.67	6,458,173.79
2012		117,220.00	642,372.42	314,937.83	327,434.59	
	1/31/2013		54,147.17	26,767.95	27,379.22	6,431,405.84
	2/28/2013		54,147.17	29,526.46	24,620.71	6,401,879.38
	3/31/2013		54,147.17	27,013.97	27,133.20	6,374,865.41
	4/30/2013		54,147.17	28,000.41	26,146.76	6,346,865.00
	5/31/2013		54,147.17	27,243.94	26,903.23	6,319,621.06
	6/30/2013		54,147.17	28,219.99	25,927.18	6,291,401.07
	7/31/2013		54,147.17	27,483.26	26,663.91	6,263,917.81
	8/31/2013		54,147.17	27,600.09	26,547.08	6,236,317.72
	9/30/2013		54,147.17	28,562.15	25,585.02	6,207,755.57
	10/31/2013		54,147.17	27,838.45	26,308.72	6,179,917.12
	11/30/2013		54,147.17	28,790.07	25,357.10	6,151,127.05
	12/31/2013		54,147.17	28,086.74	26,060.43	6,123,040.31
2013		-	649,766.04	335,133.48	314,632.56	
	1/31/2014		54,147.17	28,179.04	25,968.13	6,094,861.27
	2/28/2014		54,147.17	30,821.02	23,326.15	6,064,040.25
	3/31/2014		54,147.17	28,452.61	25,694.56	6,035,587.64
	4/30/2014		54,147.17	29,394.51	24,752.66	6,006,193.13
	5/31/2014		54,147.17	28,690.27	25,456.90	5,977,502.86
	6/30/2014		54,162.88	29,637.14	24,525.74	5,947,865.72
	7/31/2014		54,923.83	30,532.25	24,391.58	5,917,333.47
	8/31/2014		54,176.73	29,907.28	24,269.45	5,887,426.19
	9/30/2014		54,175.97	28,426.74	25,749.23	5,858,999.45
	10/31/2014		54,147.30	30,120.91	24,026.39	5,828,878.54
	11/30/2014		55,588.58	34,067.35	21,521.23	5,794,811.19
	12/31/2014		54,232.45	28,089.94	26,142.51	5,766,721.25
2014		-	652,143.59	356,319.06	295,824.53	
	1/31/2015		54,147.17	29,708.32	24,438.85	5,737,012.93
	2/28/2015		54,147.17	31,406.21	22,740.96	5,705,606.72
	3/31/2015		54,231.98	32,386.60	21,845.38	5,673,220.12
	4/30/2015		54,147.17	30,874.52	23,272.65	5,642,345.60
	5/31/2015		54,147.17	30,229.87	23,917.30	5,612,115.73
	6/30/2015		54,147.30	31,890.06	22,257.24	5,580,225.67
	7/31/2015		54,147.31	31,250.48	22,896.83	5,548,975.19
	8/31/2015		54,147.17	30,619.82	23,527.35	5,518,355.37
	9/30/2015		54,147.17	31,504.59	22,642.58	5,486,850.78
	10/31/2015		54,147.30	31,631.11	22,516.19	5,455,219.67
	11/30/2015		54,147.17	31,017.94	23,129.23	5,424,201.73

Amortization Schedule of Allband Communications Cooperative RUS Loan Payments

2015	12/31/2015	54,147.17	31,888.46	22,258.71	5,392,313.27
	-	649,851.25	374,407.98	275,443.27	
	1/31/2016	54,147.30	31,344.51	22,802.79	5,360,968.76
	2/29/2016	54,147.43	33,668.45	20,478.98	5,327,300.31
	3/31/2016	54,147.17	32,340.39	21,806.78	5,294,959.92
	4/30/2016	54,467.31	35,672.65	18,794.66	5,259,287.27
	5/31/2016	54,160.02	31,187.26	22,972.76	5,228,100.01
	6/30/2016	54,147.29	33,448.93	20,698.36	5,194,651.08
	7/31/2016	54,147.17	32,162.98	21,984.19	5,162,488.10
	8/31/2016	54,660.80	36,324.10	18,336.70	5,126,164.00
	9/30/2016	54,147.17	33,138.30	21,008.87	5,093,025.70
	10/31/2016	54,147.17	32,578.35	21,568.82	5,060,447.35
	11/30/2016	54,147.17	33,407.62	20,739.55	5,027,039.73
	12/30/2016	54,147.17	32,857.81	21,289.36	4,994,181.92
2016	-	650,613.17	398,131.35	252,481.82	
Total To Date		7,617,264.18	5,461,596.90	2,623,082.26	2,838,514.64

11:55 AM

Allband Communications Cooperative

01/10/17

Trial Balance

Accrual Basis

As of January 31, 2017

	Jan 31, 17	
	Debit	Credit
113003 · General Account - BOA	27,442.12	
113004 · BOA Sweep account	0.00	
113005 · RUS Pledge Account 1110-39A	0.00	
113006 · RUS Pledge Account 1110-B39	0.00	
113007 · First Federal Money Market	21,427.99	
TOTAL	48,870.11	0.00

11:57 AM

Allband Multimedia LLC

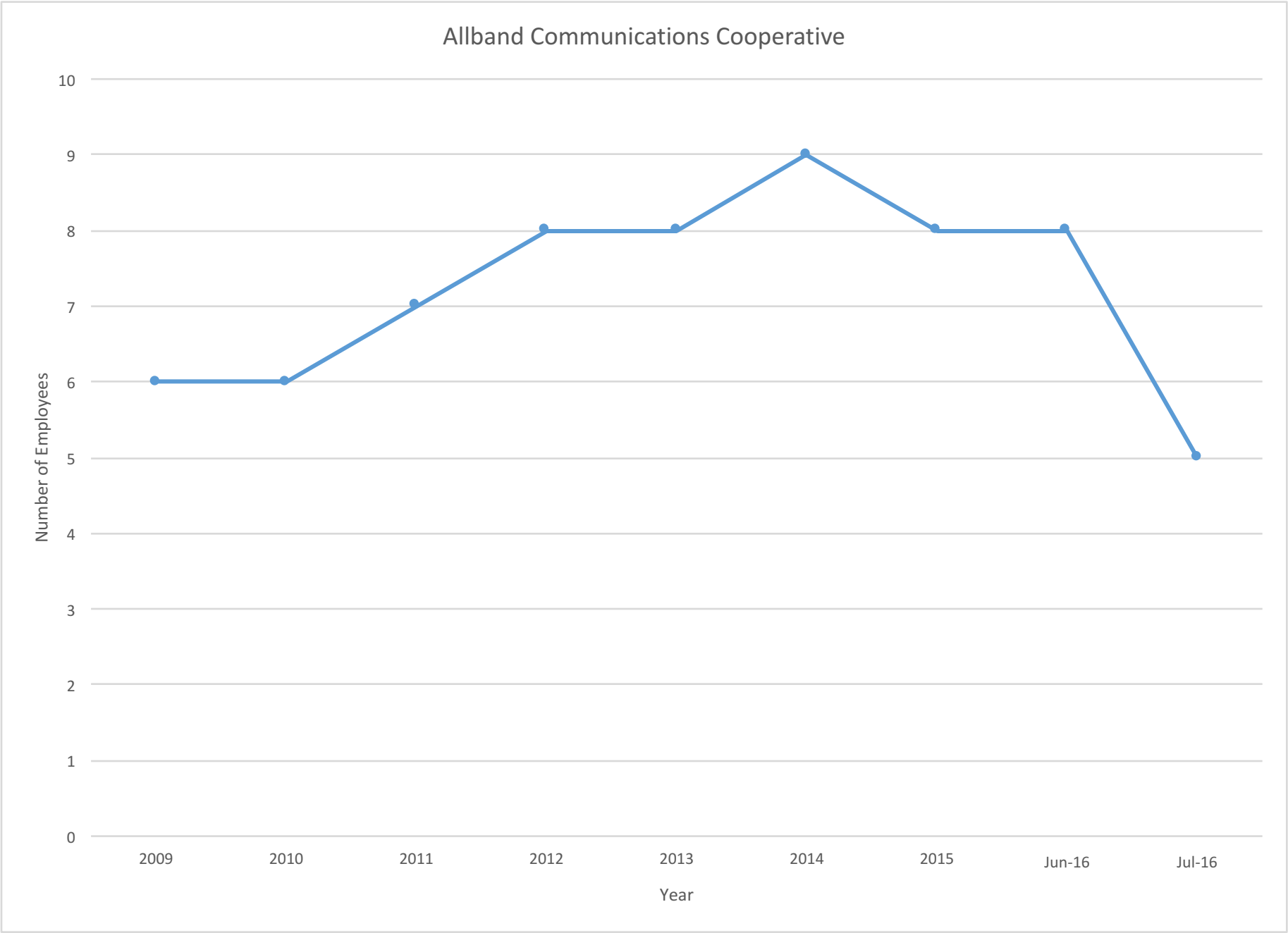
01/10/17

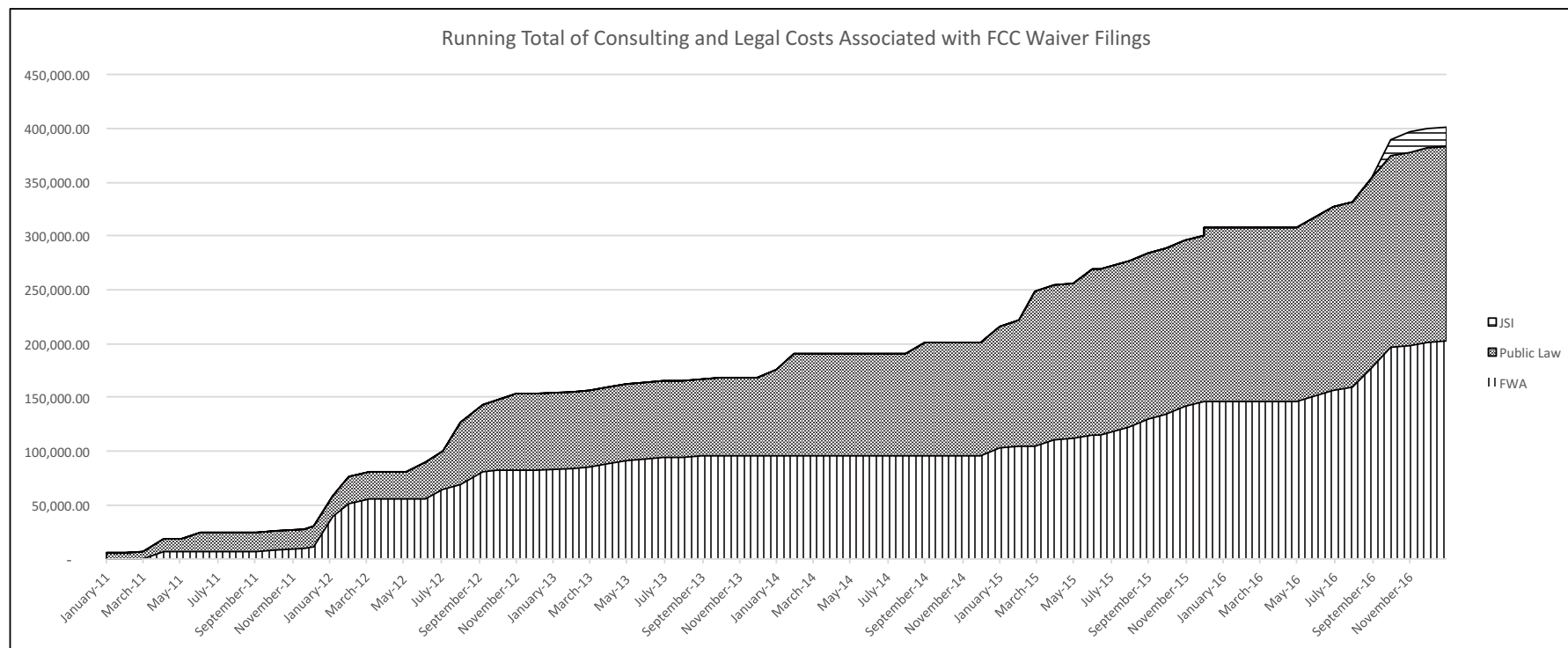
Trial Balance

Accrual Basis

As of January 31, 2017

	Jan 31, 17	
	Debit	Credit
113003 · Bank of Alpena Checking	17,413.44	
TOTAL	17,413.44	0.00





**Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)**

Attachment #6

Date of Email	Day	Author of email	Audience (See Legend)	Notes	Document	USAC Questions/Comments	Allband Responses and/or Corrective Actions
<p>Legend:</p> <p>Allband: Ron Siegel, General Manager; Tammy Veasy, Controller</p> <p>Allband's Attorney: Don Keskey, Public Law Resource Center PLLC</p> <p>Fred Williamson & Associates: Tim Morrissey, President; Jason Palmer, Vice President</p> <p>JSI: Christine Duncan, Director of Revenue Requirements</p> <p>USAC: Amanda Bilodeau, Internal Audit Supervisor; Brandon Ruffley, Senior Program Analyst; Anna Mihalsky; Deborah Eltgroth, Kimberly Morning, USAC Counsel</p>							
22-Jul-16	FRI	Amanda Bilodeau	Ron Siegel	Following up from a call between USAC & Ron. Amanda setting up weekly status call with the Allband team for Tuesdays.			
25-Jul-16	MON	Ron Siegel	Amanda Bilodeau; cc Tim Morrissey, Jason Palmer, Don Keskey, Tammy Veasy	Ron reached out asking Amanda if she would like him to send out an invite for the meeting and provide a bridge.			
1-Aug-16	MON	Jason Palmer	Ron, Tammy, Amanda, Brandon Anna; cc Don Keskey	Email letting USAC know that a copy of Allband's 2015 cost study and USF support were provided to USAC via the drop box			Please see the end of this document "Significant Adjustments Made to the 2015 Cost Study".

Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)

8-Aug-16	MON	Ron Siegel	Brandon Ruffley; Jason; Tammy; Amanda; Anna cc Don, Tim (Allband/USAC)	Ron checking with USAC to see if they need anything or if they have any questions prior to tomorrow's status call.			
8-Aug-16	MON	Brandon Ruffley	Allband / USAC	No issues at the moment. Brandon has reviewed the materials a bit since the last discussion. Some people out of office and several on-going projects. Brandon anticipates brief meeting tomorrow. Amanda back on Tuesday and they should have an opportunity to make progress this week.			
12-Aug-16	FRI	Brandon Ruffley	Allband / USAC	USAC cancelled Tues Aug 16th call. USAC requested: 1) Title & Brief job description of all employees listed in payroll/timesheets 2) CAM for 2015 3) Reclassification of Account 6534 spreadsheet and what does "Clear" under the reclass account mean. Brandon suggested a walk- through of the documentation. Brandon had no availability Mon-			

Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)

				Wed of next week but could schedule Thurs/Fri.			
16-Aug-16	TUE	Ron Siegel	USAC/Allband	Working on documentation from 8/12 request. Provided "clear" definition. A walk through of the data/processes on Thursday is fine and asked that Brandon provide a time. Ron offered an invitation for USAC to visit on-site to expedite the review or for Allband to go to DC. Ron expressed the urgency of the matter.			
17-Aug-16	WED	Brandon Ruffley	Allband / USAC	Brandon asked if Monday would be a good day for a walkthrough since he's traveling. Brandon expressed interest in he and Amanda conducting an on-site visit.			
17-Aug-16	WED	Ron Siegel	USAC/Allband	Ron flexible for call on Monday. Let him know what works best on USAC's end. Ron asked if they have a time-span in mind for a visit so Allband could plan the logistics.			
18-Aug-16	THUR	Tim Morrissey	USAC/Allband	Tim provided job descriptions in drop box. Expressed he would have			

**Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)**

Attachment #6

				cost allocation procedures in drop box before COB tomorrow.			
22-Aug-16	MON	Tim Morrissey	USAC/Allband	Tim added two more files for the 8/23 call.			
22-Aug-16	MON	Brandon Ruffley	Allband / USAC	Brandon cancelled tomorrow's call. Brandon said USAC is making progress on the review and will use the time to continue to review data. Brandon said they would share questions/requests with Allband as the week progresses.			
25-Aug-16	FRI	Brandon Ruffley	Allband / USAC	Brandon providing two documents. The main document is an inquiry list with questions. The second is Allband's payroll timesheet with requested support highlighted in yellow.			
29-Aug-16	MON	Tim Morrissey	USAC/Allband	Tim provided responses to Inquires 1-14 in drop box.			See response to correction made for the 2015 Cost Study at bottom of this timeline. Allband requested further review of the items in 6613 with the auditors to resolve this issue and did not hear back from USAC.
29-Aug-16	MON	Brandon Ruffley	Allband / USAC	Brandon inquired when remaining items will be addressed.			

Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)

29-Aug-16	MON	Tim Morrissey	USAC/Allband	Tim let Brandon know as information is loaded in drop box. Tim let USAC know support for inquiry 12 was placed in drop box. Two outstanding #6 & #8 - will upload as soon as possible.			
29-Aug-16	MON	Brandon Ruffley	Allband / USAC	Brandon - no problem.			
30-Aug-16	TUE	Amanda Bilodeau	Allband / USAC	Amanda asked to postpone call from 11 a.m. to 11:30 a.m.			
30-Aug-16	TUE	Tim Morrissey	USAC/Allband	Tim provided support for .0133 factor used to assign the COE L&B costs to regulated. Provided in drop box and explanation of calculation in email.			
30-Aug-16	TUE	Tammy Veasy	USAC/Allband	Tammy provided requested timesheets to the Inquiry 8 Time Sheets Folder.			
30-Aug-16	TUE	Brandon Ruffley	Allband / USAC	Brandon acknowledged receipt of all outstanding information.			
6-Sep-16	TUE	Brandon Ruffley	Allband / USAC	At 9:53 a.m., Brandon asked to push this week's Tuesday meeting to Thursday.			

Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)

6-Sep-16	TUE	Ron Siegel	USAC/Allband	<p>Ron asked if USAC needs more time to review the data that has been submitted. Ron asked if USAC had any questions, clarification or sources of data Allband could provide while waiting for the next call. Ron also asked if USAC had an idea of when they would be able to dive into Allband's theories, interpretation of the rules, process, procedures, background, etc. so they could work on a support level above the cap. Ron asked if they had an idea of when USAC thought the compliance review would be complete and whether they intended to take the full 3 months. Ron expressed the number of times he's requested an onsite meeting to expedite the progress on the review. Ron once again expressed to USAC Allband's predicament and how time-sensitive the matter is.</p>		
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Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)

6-Sep-16	TUE	Brandon Ruffley	Allband / USAC	Brandon: "We can cover some of these questions as we continue to move forward. I do want to emphasize that we are not planning to extend our review the full 3 months. Brandon said they consider Allband a priority even though we have our other ongoing obligations in support of the High Cost fund. He said they wanted to push back this week's meeting because they are continuing their detailed review and may generate more questions. Brandon said they are not pushing it back due to lack of activity so he wanted to make sure that was understood. He also said he looks forward to discussing further on the call Thurs at 11 a.m.			
6-Sep-16	TUE	Ron Siegel	USAC/Allband	Ron emailed to USAC: Your email is appreciated.			
8-Sep-16	THUR	Ron Siegel		USAC plans on being on-site 9/26. Ron provided travel information in email.			

**Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)**

8-Sep-16	THUR	Ron Siegel	USAC/Allband	Ron provided high-level information about ACC & AMM's territory (including Google Earth files). Also provided the areas in each of the entities.			
12-Sep-16	MON	Brandon Ruffley	Allband / USAC	Brandon said they are continuing to work through the documentation and planning the onsite visit. Tomorrow's call was cancelled by USAC. Brandon said they may have questions/requests later in the week.			
13-Sep-16	TUE	Brandon Ruffley	Allband / USAC	Amanda and Brandon booked flights and set to arrive on Sunday 9/25 and travel back on Tuesday morning 9/27.			
19-Sep-16	MON	Ron Siegel	USAC/Allband	Ron e-mailed Brandon to confirm call on Tuesday and to discuss an agenda for the onsite visit			
19-Sep-16	MON	Brandon Ruffley	Allband / USAC	Brandon said the call was definitely on and that Amanda had some timesheet questions.			
26-Sep-16	MON	Tammy Veasy	USAC/Allband	Tammy provided first quarter payroll reports (four excel files ACC/AMM).			

Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)

26-Sep-16	MON	Tammy Veasy	USAC/Allband	Tammy provided 2nd quarter payroll reports (four excel files ACC/AMM).			
26-Sep-16	MON	Tim Morrissey	USAC/Allband	Tim provided USAC with adjusted payroll hours for 2014 along with a note to explain the adjustments.			<p>Following is a summary actions taken for 2014 time reporting in the revised cost study:</p> <p>--ALLBAND at year end assigns the cost in this account based on lines. AMM is 74% and ACC is 26%</p> <p>--A cost study adjustment reclasses a portion of accounting and finance payroll hours to AMM based on a 50/50 split of Account 6535 Engineering Expense was reclassified to 200301 Engineering Expense ARRA</p> <p>-- An adjustment assigned outside plant employees time charged to 6720 - 74% to AMM and 25% to ACC-6532</p> <p>--Hours were reclassified from Account 6534 to 200301 ARRA to reflect adjustment on general ledger of \$20,431.76</p> <p>--Customer Service Expense was reclassified to 791102 (Premise Work) for Outside Plant Employees only.</p>
26-Sep-16	MON	Ron Siegel	USAC/Allband	Ron provided staff description file to USAC.			
26-Sep-16	MON	Ron Siegel	USAC/Allband	Ron provided Corrective Action Plan pending any revisions	Corrective Action		

Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)

26-Sep-16	MON	Ron Siegel	USAC/Allband	Ron provided Time Keeping Process to Amanda. This included the 15-min incremental time tracking form, calendar tracking (Ron's time tracking method), Coop and AMM account tracking summaries, harvest categories, ex of the six categories Allband uses.			
26-Sep-16	MON	Tammy Veasy	USAC/Allband	Tammy provided Lease files to USAC.			
26-Sep-16	MON	Tammy Veasy	USAC/Allband	Tammy provided general ledgers to USAC.			
28-Sep-16	MON	Tammy Veasy	USAC/Allband	Tammy provided updated general ledgers following the JSI accounting and separations seminar. Tammy went through and made corrections following the seminar.			
29-Sep-16	THUR	Brandon Ruffley	Allband / USAC	Brandon cancelled Tues 10/4 call. He said the team wanted to put the time toward reviewing and organizing information they received while onsite. Brandon thanked Allband for hosting their onsite visit and that he said the time spent was very productive. Brandon said			

**Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)**

				the face to face meeting should facilitate their efforts as USAC moves forward.			
29-Sep-16	THUR	Ron Siegel	USAC/Allband	Ron confirmed he cancelled the invite for the meeting. Ron asked that USAC let him know if they needed anything. Ron provided Bernadette Schuelke's timekeeping sample.			
5-Oct-16	WED	Ron Siegel	USAC/Allband	Ron sent Amanda an e-mail extending his hope that the meeting would facilitate closing the compliance review in the near future. Ron provided a letter addressed to USAC that requests concurrence on a suggested interim level of support to slow down the financial bleeding. Ron expressed that USAC agreed to contact the FCC regarding Allband's interest in correcting and applying Allband's new time-keeping procedures to the 2014/2015 cost studies or if the FCC would simply default to the line count methodology which	Allband: USAC Interim Support Level		Allband e-mailed a letter to USAC asking for concurrence to an Interim Support Level.

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				Allband feels is flawed. Ron asked if USAC had a chance to talk to the FCC concerning the interim level of support.			
5-Oct-16	WED	Brandon Ruffley	Allband / USAC	Brandon said USAC would like to address the issue as well as expand on some of the discussions USAC has had and will have with the Commission regarding the two approaches. Amanda is out of the office on Tuesday and they anticipated ongoing discussions with the Commission on Wednesday. Brandon asked if it would be possible to set up a meeting for Fri 10/14.			
5-Oct-16	WED	Ron Siegel	USAC/Allband	Ron said Allband would accommodate whatever time works for USAC for a call on 10/14. Ron said they are very flexible given the urgency of the matter.			
7-Oct-16	FRI	Brandon Ruffley	Allband / USAC	Brandon provided a list of updated questions and requests. File: USAC Questions and Request 10.6.16			

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13-Oct-16	THUR	Brandon Ruffley	Allband / USAC	Brandon sent out a list of selections they made from ACC's GL. USAC asked for underlying support for the entries highlighted in gray.			
14-Oct-16	FRI	Ron Siegel	USAC/Allband	Ron provided responses to the 10/6 inquiry	USAC 10.6.16	(1) How does ACC separate broadband on the timesheets to ensure it isn't classified as regulated. (2) Please explain the allocation process for how vehicle expenses and materials/supplies are spread. (3) Timesheet Questions letters a - g (4) New Requests letters a - d.	(1) Provided USAC with ILEC regulated Broadband versus nonregulated Broadband supporting explanation. (2) Procedures for Vehicle Spread are part of Allband's Corrective Action Plan and the steps and support were provided to USAC (3) Timesheet questions letter a - g. Letters a, c, d Reg./Nonreg. Part 64 adjustments made in the cost study process. Letter b time for board meetings addressed as part of the Corrective Action Plan. Letter e ii. Allband made a booking error of 0.5 hrs. Since the time of the error Allband has put into place a computerized program called Harvest that automatically summarizes time and eliminates this type of error. Letters e i., f, and g - response to questions is based upon exiting data and procedures that do not appear to require correction. (4) Allband provided data/support for requested data in letters a and b. Letter c - vagueness of reporting on employee's timesheets made it difficult to locate the corresponding tickets in the ticketing system. Location of support corresponding to the timesheet is part of the Corrective Action Plan.

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							Letter d - Allband provided explanations for the work performed for each of the respective timesheet selections.
20-Oct-16	THUR	Brandon Ruffley	Allband / USAC	Brandon said they are reviewing the data and would prefer to push the Friday call into the following week. Brandon said the regularly scheduled Tues call would probably be too soon as well. Meeting set up for Thurs 10/27			
20-Oct-16	THUR	Ron Siegel	USAC/Allband	Ron rescheduled call at USAC's request and said Allband should have the second data request tomorrow 10/21.			
27-Oct-16	THUR	Ron Siegel	USAC/Allband	Ron was inquiring if the call was still on (2:05 p.m. at time of e-mail). Christine Duncan joined the USAC calls and e-mail distribution list.			Christine Duncan expressed Allband's strong desire to be in compliance and asked if USAC intended to provide guidance if there were areas they found that had not been addressed in the Corrective Action Plan. Christine expressed hearing Mr. Wayne Scott at an NTCA conference in August expressing that one of USAC's goals is to assist in compliance. USAC indicated that this was a goal.

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27-Oct-16	THUR	Brandon Ruffley	Allband / USAC	Brandon provided a recap of the 10/27 call: <i>"As a quick recap of the call, USAC anticipates receipt of our GL samples either today or tomorrow. In addition, Allband will provide us with an estimate of time needed to update the document reflecting actions taken to address the FCC's concerns in the Order. The update is to include a dedicated section explaining the assembly and use of the general and joint allocators developed as part of the analysis for 2016 which was provided to USAC for review"</i> . Brandon also said the Tuesday call would stand and if something changed, he would coordinate a new time.			
28-Oct-16	FRI	Ron Siegel	USAC/Allband	Ron let Brandon know he anticipated the GL being sent to USAC today and will provide the narrative as soon as possible.			

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31-Oct-16	MON	Brandon Ruffley	Allband / USAC	Brandon proposed canceling this week's meeting as they don't anticipate any questions or discussion topics at this time.			
31-Oct-16	MON	Tammy Veasy	USAC/Allband	Tammy provided GL support in the drop box and also explanation of joint use/shared cost considerations in the e-mail. Tammy let USAC know Allband/JSI expected to have the methodology/narrative for the joint allocators no later than Thur., Nov. 3 and then once Allband had USAC's approval they would calculate the allocators and apply as described.	Alloc. Methods		Allband provided to USAC an Allocation Methods worksheet with each of the Part 32 accounts listed. This listing provided the allocation methods Allband is using to allocate joint use or shared cost expenses. These procedures are listed in the Corrective Action Plan.
1-Nov-16	TUE	Brandon Ruffley	Allband / USAC	Brandon told Tammy he would confirm once they had a chance to review. Brandon said a few things have popped up on short notice that they've been addressing.			
7-Nov-16	MON	Brandon Ruffley	Allband / USAC	Brandon said the USAC team has some time set aside on Tues morning 11/8 to review the materials Allband provided last week. USAC			

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				did not anticipate needing a call on 11/8			
7-Nov-16	MON	Brandon Ruffley	Allband / USAC	Brandon confirmed receipt of the documentation for 22 samples supporting GL selections. Brandon also asked about the general joint allocator narrative.			
8-Nov-16	TUE	Ron Siegel	USAC/Allband	Ron let Brandon know Allband would have the narrative either today or tomorrow.			
9-Nov-16	WED	Tammy Veasy	USAC/Allband	Tammy provided a PDF file labeled Allband 2nd Qtr. 2016 Payroll General which included the narrative along with exhibits.	GA Narrative		Allband provided USAC the Joint Cost Allocator Narrative, Corrective Action Plan, and Exhibits A - H.
9-Nov-16	WED	Brandon Ruffley	Allband / USAC	Brandon received files and cancelled tomorrow's meeting as Amanda is out of the office. Brandon said they would use some of their available time this week to continue to review what Allband provided.			
14-Nov-16	MON	Ron Siegel	USAC/Allband	Ron let Brandon know he cancelled the meeting again (Ron sends out the invites). Ron asked if they have any questions, how the documents look so far			

**Allband Communications Cooperative
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				and whether a visit to DC from Allband would help finalize the compliance review.			
17-Nov-16	THUR	Brandon Ruffley	Allband / USAC	Brandon said he didn't anticipate another face to face meeting would be necessary but remains open to the idea as the review progresses. Brandon is out of the office next week and cancelled the 11/22 call. Brandon said the 11/29 call would be a more substantive call and they would likely provide a new request soon as they proceed to draw conclusions on the testing of the timesheets and GL Samples.			
19-Nov-16	SAT	Ron Siegel	USAC/Allband	Ron let Brandon know he cancelled the meeting and asked how Allband could move the process along as they were running out of time and still need to file another waiver once the compliance review is finished.			

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28-Nov-16	MON	Ron Siegel	USAC/Allband	Ron confirming call for 11/29 and also asked if USAC had any new questions, comments, inquires from the reviews as referenced in the email. Ron asked what the next steps are and when USAC anticipated an in depth discussion so the review could be finalized and the waiver could be submitted.			
28-Nov-16	MON	Brandon Ruffley	Allband / USAC	Brandon said they didn't have any questions now but anticipate some on tomorrow's call. Brandon said he was on vacation and this is his first day back in the office.			
28-Nov-16	MON	Brandon Ruffley	Allband / USAC	Brandon provided a list of questions "USAC Questions 11.28.16" developed on the timesheet review. Brandon also requested Allband walk them through the Payroll General Allocator document provided on 11.9.16.			
29-Nov-16	TUE	Ron Siegel	USAC/Allband	Ron let Brandon know Allband would address questions as soon as possible and we would be			

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				happy to walk through the Payroll General Allocator document.			
29-Nov-16	TUE	Brandon Ruffley	Allband / USAC	Brandon provided file they are using for the GA analysis for confirmation correct file. Also confirmed outstanding responses.			
29-Nov-16	TUE	Christine Duncan	USAC/Allband	Christine confirmed file matches the narrative provided on the 9th of November. Also provided additional information related to the allocator.			Christine confirmed file with USAC. Additionally, Christine noted on the weekly call and in the email that the file was further refined to update the corporate allocator which resulted in a 0.63% change in the general allocator.
30-Nov-16	WED	Tammy Veasy	USAC/Allband	Tammy provided USAC ten files. One of the files is the written response to the verbal answers provided on the 11/29 call. The remaining support is provided as part of the responses.	USAC 11.28.16	USAC had 7 questions. (1) confirmation of correct Cooperative Payroll File (2) USAC had difficulty reading the timesheet support. (3) USAC had question about 0.25 time to Miss Dig - Turtle Lake Club (4) location of booking of employee's time (5) USAC had difficulty reading support (6) Difference between two timesheets for 4/29 (7) Reconciliation question about time	(1) Christine confirmed file with USAC is the correct file. Additionally, Christine noted on the weekly call and in the email that the file was further refined to update the corporate allocator which resulted in a 0.63% change in the general allocator. (2) Allband provided additional screen shots (3) Allband provided explanation - Miss Dig is a utility locating function which marks existing utilities for new drop installation. This was done inside Allband's study area. (4) Allband booked time to Coop as the employees' time benefits both the Coop and Subsidiary. Then once a quarter Allband posts the time based upon the Total Company General Allocator as described in the Corrective Action Plan. (5) Allband provided additional screen shots

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							to USAC (6) One employee training another employee so the time / back-up is different depending upon what each of the respective employees was doing at the time. (7) Allband provided the times that reconciled to the 1.25 hours.
5-Dec-16	MON	Brandon Ruffley	Allband / USAC	Brandon provided a listed of questions from the review of the first half of the GL transactions. This list is for use in determining whether the assignments are accurate. "Sample References", Allband GL Questions 12.5.16			

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6-Dec-16	Tues day	Tammy Veasy	USAC/Allband	Tammy provided the answers to the 12.5.16 questions along with additional support.	USAC 12.5.16	<p>USAC had 14 questions. (1) Sample 3 - incorrect invoice provided (2) Sample 5 how was \$101.27 derived (3) Sample 9 asked for expanded explanation (4) Sample 12 asked how \$210 & \$255 calculated (5) Sample 13 USAC assessing categorization of an expense. Asked for additional explanation - Lynda (6) Sample 14 USAC asked for additional explanation for iPad accessory and how it was used (7) Sample 15 USAC asked for calculation of \$11,471 and underlying service (8) Sample 18 USAC asked for additional support/explanation - invoice \$525 but requesting support for \$263.50 (9) Sample 19 USAC asked for additional support for Right of Way permit (10) Sample 20 & 21 USAC asked about</p> <p>(1) ACC provided copy of statement for the sample (2) ACC provided calculation of \$101.27 (3) ACC provided explanation to USAC (4) Allband provided explanation of split between Coop and Subsidiary including the quarterly joint use common allocator application provided in Allband's Corrective Action Plan (5) ACC provided description of "Lynda" service - technical assistance for programs such as Microsoft Office 365, Apple Operating, Adobe, etc. ACC provided explanation of split between Coop and Subsidiary including the quarterly joint use common allocator application provided in ACC's Corrective Action Plan. (6) Allband provided explanation IPAD air used by OSP technicians in the field. ACC provided explanation of split between Coop and Subsidiary including the quarterly joint use common allocator application provided in Allband's Corrective Action Plan. (7) ACC provided explanation. Reversing entry to a CPA Year-end adjustment. Annual amount of \$16,195 prepaid expense and 8.5 months in the period. Expense is for digital switching gear and program. Allocation of expense (8) ACC provided explanation for Michigan Dept. of Treasury Right of Way expense. Benefits both Coop and Subsidiary - invoice was split 50 / 50. As part of Allband's Corrective Action Plan, the general allocator is applied.</p>
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Attachment #6

						allocation of 6531 and electric bills (11) Sample 23 USAC asked 6533 testing expense and what is purpose of batteries. (12) Sample 24 USAC asked role of employee (13) Sample 25 USAC asked if Allband considers entire amount of expense regulated (14) USAC asked if maps support only the Coop	(9) Allband provided explanation for Right of Way expense. Benefits both Coop and Subsidiary - invoice was split 50 / 50. As part of Allband's Corrective Action Plan, the general allocator percentages. (10) Allband provided explanation. Sample 20 power invoice for central office - direct assignment and Sample 21 is mixed use and the general allocator as described in Allband's Corrective Action Plan applies to the common. (11) ACC provided explanation - Batteries used in the field for the testing equipment. (12) ACC provided explanation - employee is an OSP technician and the invoice was for clothing allowance. Account Allocation addressed in Allband's Corrective Action Plan. (13) ACC provided explanation - The amount is not solely regulated. The expense is for the cost of developing a database for the CPRs for the plant assets for ACC and AMM. At year-end a portion of the expense will be allocated to nonreg. and AMM based upon the general allocator addressed in Allband's Corrective Action Plan. The correction to the CPR expense transfer to account 6721 from 6535 is noted in the expanded Corrective Action Plan.
7-Dec-16	WED	Brandon Ruffley	Allband / USAC	Brandon provided a word file with questions on the 2nd half of the GL expense review. Files names: Allband GL			

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				Questions 12.6.16 and Sample References.			
9-Dec-16	FRI	Tammy Veasy	USAC/Allband	Tammy provided the 12.6.16 response and 4 supporting PDF files to USAC.	USAC 12.6.16	USAC had 10 questions. (1) Samples 30 & 31 - USAC asked for additional support for lodging and how it relates to the Coop (2) Samples 33, 36 & 37 - Per FCC 15-133 food is not permitted (3) Sample 35 Who is using headset (4) Sample 40 USAC asked if business cards for employee should be booked to marketing (5) Sample 43 - Is a portion going to AMM? (6) Sample 45 - How is cost split? How are the shirts used for the provision & maintenance of phone service? (7) Sample 46 - How are the shirts used for the provision & maintenance of phone service? (8) Samples 47 & 48 - USAC asked for explanation of travel and support for purpose of travel (9)	(1) Allband provided conference agenda to USAC. Explanation provided - Cooperative network fiber expansion - all Coop members are required to have a landline. (2) Allband booked the business food expense found in Samples 33, 36 & 37 as put out for comment in FCC-16-33A1 which superseded FCC 15- 133. Allband relied upon this for compliance. Receipt 33 was for a meeting with the CPA audit team, Allband staff and board members to open the annual audit. Receipt 36 was for a meeting in Hillman with Turtle Lake to discuss adding additional telephone lines. Receipt 37 was for a meeting to discuss telecommunication issues with state. (3) Allband provided explanation - General Manager used one and Customer Service / Sales & Admin used the other. (4) ACC provided explanation - employee wears many hats including sales and admin, overseeing plant personnel and office personnel (5) Allband provided explanation of split between Coop and Subsidiary including the quarterly joint use general allocator application provided in Allband's Corrective Action Plan (6 & 7) ACC provided explanation. Expense allocated by who the shirts are used by. This is further addressed in Allband's Corrective Action Plan. (8) ACC provided

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						<p>Why was account 6124 used for the correction? How is cost split up? (10) What is purpose of lodging expense?</p>	<p>explanation. Trip to DC to meet with the FCC to plead its case for the emergency waiver petition and to meet with RUS to request their support in the waiver petition as well as discussion ramifications. (9) ACC provided an explanation and this is further addressed in Allband's Updated Corrective Action Plan. (10) See number 8 above. Additionally, Ex Parte and emails confirming the meeting with RUS were provided to USAC.</p>
9-Dec-16	FRI	Brandon Ruffley	Allband / USAC	<p>Brandon asked additional questions in an e-mail. The first three are follow-up questions to previous inquires on transmission and the last question is about affiliates. Ref: Consumer Advocacy Press of Curran, MI</p>			
12-Dec-16	MON	Tammy Veasy	USAC/Allband	<p>Tammy asked for clarification on which previous three samples and also let Brandon know she is not familiar with the Consumer Advocacy Press but would go through previous GLs.</p>			

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12-Dec-16	MON	Tammy Veasy	USAC/Allband	Tammy provided answers to the three questions and affiliate question in the e-mail itself.	USAC email Qu 12.9.16 - Responses 12.13.16	USAC had 4 questions. (1) follow-up on Calix E7 / DSLAM question (2) follow-up ISP Contracts (3) follow-up ISP invoices (4) Consumer Advocate Press of Curran MI	(1) Allband provided clarification to USACs misunderstanding that Calix E7 was DSLAM equipment. The equipment is Optical Line Terminals (OLTs) and two of the three OLTs are in ACC's study area. The third OLT is outside of the study area border but was installed to transport and distribute to the northern portion of ACC's study area. USAC asked the location of ACC's central office and Allband provided the address. (2) USAC asked Allband how many ISP service providers and contracts Allband had in 2015 and 2016 & how much. Allband provided the two ISP vendors, expense amounts and that the expenses are booked to AMM. (3) USAC asked whether ACC or AMM pays or has paid for access to Intelliquent or Linx Networks. Allband provided information: Intelliquent is NOT an ISP - rather they are a homing tandem and ACC pays this expense as it is used by ACC. Allband provided that Lynx and Merit are ISPs and AMM payed these expenses as noted in question #2. (4) USAC asked either ACC ever had affiliate transactions or paid expenses associated with Consumer Advocate Press of Curran, MI ("CAPCM"). Allband provided journal entries associated with CAPCM; transactions were in relation to a contract Allband had with CAPCM in 2009. CAPCM provided public relations and market surveying for Allband's
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							existing Robbs Creek network. There was a clause in the contract for expansion of the network but this portion of the contract was cancelled due to lack of funds approved by a stimulus grant.
13-Dec-16	TUE	Brandon Ruffley	Allband / USAC	Brandon said they are working on finalizing the review of the expenses and provided an excel file to serve as a reference for their samples "Sample Reference". They asked for explanations on the calculations or reclass for samples 15, 45, 55 and 57.			

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13-Dec-16	Tues day	USAC- Allband Weekly Call	USAC - Brandon Ruffley, Amanda Bilodeau, Anna Mihalsky. Allband - Ron Siegel, Tammy Veasy, Don Keskey, Tim Morrissey, Christine Duncan	<p>On the call, Tammy verbally went over the answers to Brandon's questions in his Friday, Dec 9th e-mail (referenced above). Tammy said she would be providing written responses as well; Tammy sent those to USAC on 12/15. Brandon said USAC wrapping up the GL expense review and that the timesheet review was almost completed.</p> <p>*Allband asked about whether USAC had any findings in which Allband needed to be aware of for correction. USAC was vague in responding to the question and then also indicated that they may or may not have a draft reporting of the findings before the New Year. Christine Duncan asked about the early communication of non-compliance referenced in the "Yellow Book" GAO-12-331G Government Auditing Standards Sections 4.48 and 5.47 Early Communication of</p>		
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Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)

				Deficiencies (which speaks of the importance of early communication to management because of the relative significance and the urgency for corrective follow-up action), USAC was quick to say that both this and the former IAD reviews were not "audits or reviews" and not subject to yellow book auditing standards. USAC said they were gathering information under the FCC's directive. Allband was unaware that this and the former IAD were not audits or reviews under auditing standards until this call.			
15-Dec-16	THUR	Tammy Veasy	USAC/Allband	Tammy provided documents and responses to the questions USAC sent on 12/14/16.	USAC email Qu 12.14.16	USAC had four questions. (1) Sample 15: USAC asked for support for the entire \$16k used in the calculation. (2) Sample 45 USAC asked for explanation of calculation of \$868.94. (3) Sample 55 USAC asked for support for reclass (4) Sample 57 USAC asked for	(1&2) Allband provided the calculations to USAC and support for (3&4).

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Attachment #6

						support for reclassification	
16-Dec-16	FRI	Brandon Ruffley	Allband / USAC	Brandon going to be out of the office the next week (12/19) and then both he and Amanda would be out of the office the following week (12/26). The 12/20 and 12/27 calls were cancelled. Brandon said although the calls weren't taking place, they would continue to work and Amanda may have questions next week. Brandon said they are making substantial progress on the testing for GL expenses and labor reporting and hope to conclude in January.			
2-Jan-17	MON	Brandon Ruffley	Allband / USAC	Brandon provided a list of expense questions in advance of the 1/3 call. Brandon indicated they are wrapping up testing and pushing it through the proper reviews so they may have additional questions as they finalize.			

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3-Jan-17	TUE	USAC- Allband Weekly Call	USAC - Brandon Ruffley, Amanda Bilodeau; Allband - Ron Siegel, Tammy Veasy, Don Keskey, Tim Morrissey, Christine Duncan. Kimberly Morning from USAC joined the call mid- stream.	<p>Status update call. USAC communicated that Allband would not be seeing a report or memo for comment before the report going to the FCC. Amanda and Brandon communicated they did not know all the procedures surrounding this "review". USAC counsel (Kimberley Morning) joined the call. In response to Ron asking, Kimberly Morning said she would provide an FCC contact by the end of the day Tuesday. Additionally, Ron offered another onsite meeting with experts on both sides to finalize the review and USAC said they would discuss and let Ron know. Ron followed up with Kimberly Morning on the morning of Thursday, January 5 and received a reply from Kimberley that afternoon. USAC provided Suzanne Yelen, Assistant Division Chief in the Wireline Competition Bureau's contact</p>		
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USAC Special Review Timeline (July 22, 2016 – January 9, 2017)**

				<p>information. Kimberly also communicated that USAC discussed the next steps for completing their review and at this stage USAC needs to complete its review of the materials and explanations provided by Allband. USAC estimates completion of testing by the end of this month. If additional or significant questions come up during testing, USAC will consider another onsite meeting.</p>			
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1/6/17	FRI	Tammy Veasy	USAC/Allband	Tammy provided documents and responses to the questions USAC sent on 1/2/17	USAC 1.2.17	<p>USAC asked for additional support/questions for 3 Timesheets. USAC follow-up questions for 5 samples. (1) Sample #12 Website Maintenance booked to 6124 \$210. (2) Sample #13 \$25 invoice for "Lynda". USAC suggested invoice should be booked to 6720 rather than 6124. (3) Sample #24 Clothing invoice \$200 booked to 6534 USAC suggested book to where employee devotes most of his time. (4) Sample #40 Business cards for Employee \$26.49. USAC suggested the expense should be booked to 6610 Marketing rather than account 6720 Corporate (5) Sample #49 Website changes suggested expense should be booked to 6610 Marketing rather than 6720 Corporate.</p> <p>TIMESHEET (1) (a) Screenshot of William Boylard - Hubbard Lake Trail. USAC said they received screenshot for 124 Lakesure Dr. Allband explained the sample USAC selected was for the payment on 5/10 which was for Lakeshore Dr. Hubbard Lake Trail is paid a year in advance and in March, as noted in additional support provided by Allband. (b) USAC missing support for 0.25 of an hour. Allband explained time was for a voice message to schedule a site survey. Allband provided the work order showing the message and call back On 5/12. (c) USAC missing support for 0.25 of an hour on 5/12 for Site Survey PW (paperwork). Allband explained the 0.25 was employee completing paperwork for the site survey and Allband provided USAC the associated work order. (2) USAC inquiry: timesheet in system shows 0.5 hr. on 4/25 for customer payment on employee timesheet indicates 0.25 of an hour. Allband explained the customer comes to Allband to pay and discuss his bill. The remaining 0.25 hours was posted to billing inquires during management's review of the timesheets. Allband provided USAC a screenshot of payment (3) (a) USAC inquired about Mr. Miller's 4/16 timesheet. USAC inquired about difference between 2.5 hrs. for inventory but summary timesheet shows only 2.25 hrs. and a</p>
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						<p>total of 3.75 for account 6512. Allband provided explanation (difference was time posted to AMM as the employee was working on an AMM customer). (b) Allband provided a screen shot to show how 1.50 of Mr. Miller's time was calculated and charged to Admin Management. EXPENSES: (1) Allband agrees that a portion of the expense is related to 6610 and provided USAC support (RAO 7) for additional allocation of expense to 6623 and 6724 based on multiple functions of website. This is addressed in the Corrective Action Plan. (2) Allband agrees with USAC's recommendation that account 6720 is more appropriate for the booking of the Lynda computer support expense and addressed this in the Corrective Action Plan (3) Allband agrees with USAC's recommendation that the iPad Air expense should be booked to the individuals' apportioned time and has amended its procedures as addressed in the Corrective Action Plan.(3) Allband agrees that the OSP clothing allowance exp. should be allocated following OSP personnel's time reporting. Allband has amended its Corrective Action Plan accordingly. (4) Allband agrees and has amended its Corrective Action Plan to book business cards specifically to the account in which the employee generally books time, in this case 6610 Marketing rather than 6720 Corporate</p>
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							Expense. (5) USAC recommended \$600 industrial image website changes should be recorded as a 6610 marketing expense. Allband has provided the RAO 7 guidelines in its Corrective Action plan to support the specific application of this expense as booked by Allband in account 6720.
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Attachment #6

5-Jan-17	THUR	Ron Siegel	<p>Kimberly Morning at USAC w CC to Amanda Bilodeau, Tim Morrissey, Jason Palmer, Don Keskey; Veasy, Tammy; Brandon Ruffley, Anna Mihalsky, Deborah Eltgroth, Christine Duncan</p> <p>Ron Siegel asked Kimberly Morning for an update on action items Ms. Morning identified during the Allband-USAC status call on 1/3/17. Specifically: (1) USAC provide FCC contact to Allband by end of the day 1/3 so Allband could communicate with the FCC regarding Allband's compliance review process. Allband has not heard back from USAC. (2) Has USAC held internal discussions regarding Allband's suggestion of another onsite meeting with experts on both sides to finalize Allband's review. Ron asked if USAC has held this discussion following his suggestion on the 1/3 call.</p>			
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Allband Communications Cooperative
USAC Special Review Timeline (July 22, 2016 – January 9, 2017)

5-Jan-17	THUR	Kimberly Morning	Ron Siegel with CC to Amanda Bilodeau, Tim Morrissey, Jason Palmer, Don Keskey; Veasy, Tammy; Brandon Ruffley, Anna Mihalsky, Deborah Eltgroth, Christine Duncan	(1) USAC provided Suzanne Yelen, Assistant Division Chief in the Wireline Competition Bureau's contact information (2) USAC discussed the next steps for completing its review and at this stage USAC needs to complete its review of the materials and explanations provided by Allband. USAC estimates will complete its testing later this month. If significant questions arise during testing, USAC will consider scheduling another onsite meeting to discuss further. Ms. Morning said she would be on the next status call.			
9-Jan-17	Mon	Brandon Ruffley	Allband / USAC	USAC is reviewing the information Allband provided on Friday 1/6 and continuing to document workpapers as well as push through the internal review process. USAC has no topics for the meeting on 1/10 so USAC requested the call be cancelled. USAC may follow-up later in the			

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				week with additional questions/requests.			
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NOTES:

Allband Communications Cooperative ("Allband" or "ACC" or "Coop")
Allband Multimedia ("AMM" or "Subsidiary")

Significant Adjustments made to the 2015 Cost Study:

- Payroll hours study used to allocate common investments and expenses (GSF) were adjusted to assign additional hours to non-regulated operations
 - Reclassified OSP Technicians time from Customer Service to Non-Regulated Customer Premise
 - Payroll hours for 6534 (Plant Admin) and 6721 (G&A) were assigned to AMM based on the percentage of lines
 - Payroll hours for 6721 (Accounting and Finance) were assigned to AMM based on a 50/50 ratio (equal split between two entities)
- Modified Payroll Percentages:
 - Inside Employees – 73% non-regulated
 - Outside Employees – 86% non-regulated
 - Total Employees – 78% non-regulated
- CWF Study was modified to assign a portion of transport facilities to AMM based on use.
- Buried Drops were reassigned to AMM.
- A portion of building investment was reclassified to leaseholds.
- Select Corporate expenses (non-6720) were assigned to AMM
 - 6721 – Accounting and Finance expense split 50/50 between ACC and AMM
 - 6725 - Legal expenses related to property tax settlement were assigned based on the distribution of property taxes.
 - 6728 – Insurance expense was split based on total payroll hours.
- Access Expense, Account 6232 was reclassified to General and Admin Expense and Fiber Optic Cable Expense.
- 6534, Plant Administration - Numerous, non-payroll items were reclassified to other accounts. Supplies and common items were cleared based on Outside payroll hours.
- 6613, Advertising, Non-wage costs were assigned to AMM based on the percentage of line counts.
- Costs of Life Insurance (6711), penalties and certain Association dues (6720) were removed from regulated expenses.
- Reassigned payroll and vehicle costs for OSP employees that were charged to Customer Service. Amounts were reapportion primarily to customer premise work (non-regulated).

NOTE: Chart referenced in August 1, 2016 entry listed above.

Allband Communications Cooperative Corrective Action Plan

The Corrective Action Plan was presented to USAC at its onsite visit to Allband on September 26, 2016 as well as Exhibit H in the Joint Cost Allocator Narrative requested by USAC in November 2016 and provided by Allband to USAC on November 9, 2016.

Subsequent to the Corrective Action Plan submitted to USAC in September and November, Allband has expanded its Corrective Action Plan to include any issues or findings in which it is aware of stemming from USAC's special review, which is still in progress.

Description of the Policies and Procedures Implemented by Allband Communications Cooperative for Compliance FCC's Part 32 accounting rules together with the FCC's Part 64, Subpart I cost allocation rules and Part 32.27 Affiliate Transaction rules.

The principal undertakings by Allband Communications Cooperative ("ACC", "Allband", or "Cooperative") to enhance the preparation, review and approval processes governing the proper identification of regulated expenses, proper Part 32 Uniform System of Accounts ("USOA") assignment, and proper allocation of employee time include the corrective actions described following.

FCC 16-94 July 20, 2016: III. Discussion, Letter A - Misallocation of Employee Time

Allband has reviewed time reporting for the 1st and 2nd Quarters of 2016 in order to align time reporting with the Part 32 USOA. Based on the review, the company concludes that the underlying time sheets provide sufficient detail for reporting labor costs to the appropriate Part 32 USOA accounts along with identification of time and resulting labor costs that can be either directly assigned to regulated or nonregulated, indirectly assigned to regulated or nonregulated or identified as labor expense subject to a general allocator. Based on such identifications, the alignment of time reporting with both the appropriate Part 32 USOA accounts and among directly assignable, indirectly assignable and common costs. Such identification allows use of the directly and indirectly assignable time for formulation of a wage-based general allocator by which to allocate common corporate operations labor.

Allband believes that a general allocator based on relative directly and indirectly assigned wages is appropriate for allocation of common corporate operations costs.

Allband revamped its timesheets and also provided training on proper time reporting to address its error in charging time spent loading trucks and traveling from the office to the job site and vice versa to regulated when plant personnel were going to a job in its subsidiary, Allband Multimedia, ("AMM"). Management has held discussions with plant personnel to go over many common scenarios respecting time reporting and, in turn, provided instruction for charging of time to the different activities. For

instance, guidance has been provided for determination of whether a trouble ticket involves activity inside or outside of ACC's study area.

Allband corrected its allocation of morning meeting time by reporting on the time sheet separately allowing accounting to proportionally spread the meeting time for a day among the respective regulated and nonregulated activities for the employee during that day prior to entering all of the time reported by the employee for the day. This addresses both the issue of time going to regulated general and administrative expense accounts and also the plant time not being expensed to the employees' normal work activities. Similarly, morning truck loading and preparation are spread to the respective regulated and nonregulated activities of the day.

FCC 16-94 July 20, 2016: III. Discussion, Letter B - Allband Allocated an Unrealistically High Percentage of Corporate Operations

Expenses to Regulated Activities:

1. Allband's Allocation of Employee Time for Corporate

Based on its review of individual corporate operations employee time reporting, Allband finds that corporate operation time is identifiable as either directly assignable, indirectly assignable or common subject to application of a general allocator. With application of the general allocator discussed above to the common corporate operations payroll expenses, Allband believes that the allocation of corporate operations' expense to regulated activities at a rate of 39.25 percent for the first quarter and 43.45 percent for the second quarter of 2016 are reasonable, reflective of the respective ratios of regulated to total wages.

2. ACC's Overall Corporate Operations Expenses

Allband has reviewed the level of its overall corporate operation expense allocation to regulated through addressing the succeeding areas of concern raised by the FCC in its order. Based on addressing these areas, Allband agrees that the 92 percent level of allocation of corporate operations expense is high, but believes that direct assignment of labor and expenses, especially legal expense, sustains an allocation of corporate operations expense of more than a simple comparison of relative access lines.

3. Allband's Accounting/Finance and Legal Expense Allocations-

With respect to accounting and finance, going forward, Allband will rely on both direct assignment based on detailed time reporting and application of the general allocator as discussed above. As a result of the analysis of payroll for the first and second quarters of 2016 as discussed above, the appropriate allocation of common accounting and finance expenses is between 39.25 and 43.45 percent as explained above. Based on this, Allband believes the relative allocations mentioned by the FCC in

the Order are closer to being considered reasonable than the characterization of unreasonable mentioned in the order.

With respect to legal expense, inasmuch as the Allband's economic viability as an ILEC and purpose of providing service to a previously unserved area, Allband's legal actions are existentially essential to the ILEC operations. Legal expenses directly emanating from the need to file waivers or respond to FCC or USAC audit issues are directly assignable to regulated. To this point, Allband's most recent outside audit opinion includes a going concern qualification. However, the direct cause of incurrence of most legal expense is the imperative to Allband for preservation of appropriate high cost funding including pleadings filed with the FCC, pursuit of appeals to United States courts and responses to USAC audit issues. As such, most legal expenses are appropriate directly assignable to regulated. Allband believes this is consistent with both the Part 32 USOA and the Part 64 cost allocation rules. Following is the USOA prescription for accounting for legal services.

Allband's relative apportionment of legal expense to regulated operations in comparison with nonregulated is informed, in part, by the following.

Part 32 USOA prescription of legal expenses:

§ 32.6720 General and administrative.

[...]

(d) Maintaining relations with government, regulators, other companies and the general public. This includes:

[...]

(g) Providing legal services: This includes conducting and coordinating litigation, providing guidance on regulatory and labor matters, preparing, reviewing and filing patents and contracts and interpreting legislation. Also included are court costs, filing fees, and the costs of outside counsel, depositions, transcripts and of outside counsel, depositions, transcripts and witnesses.

Part 64 Allocations

With respect to application of Part 64 cost allocation rules, Allband believes the following excerpt from a 1987 FCC Cost Allocation Manual ("CAM") order appropriately informs Allband regarding appropriate procedures for apportionment of legal expenses. Because Allband does not have in-house counsel the overhead portion of legal expense discussed below is not applicable to Allband.

Account 6725 - Legal Expense

90. NYNEX proposes to apportion this account into regulated direct expense, nonregulated direct expense, and other legal expense cost pools. The first two cost pools would be for expenses that can be directly assigned to regulated and nonregulated activities. The third cost pool would be for those legal expenses that cannot be directly assigned. These other legal expenses would include both direct legal expenses and overhead expenses, such as law library and general research costs. Since the overhead expenses support all of the

NYNEX activities for which direct legal expenses are incurred, NYNEX shall divide its other legal expense cost pool into an other direct expense cost pool and an overhead cost pool. While we have no objection to use of the general allocator to allocate the other direct expense cost pool, NYNEX shall allocate the overhead cost pool in the same proportion as its direct legal expenses are allocated.

See. NYNEX Telephone Companies' Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, AAD-7-1678. Memorandum, Opinion and Order, DA 87-1906, 3 FCC Rcd 81 at 91, (Rel. Jan. 12, 1987) at paragraph 90.

FCC 16-94 July 20, 2016: III. Discussion, Letter C - Compliance with the Affiliate Transactions Rules

Allband has reviewed the FCC's Section 32.27 affiliate transaction rules and has undertaken to adopt and implement procedures for compliance with Section 32.27. The primary sharing of resources by Allband with its nonregulated affiliate is labor. Because the affiliate does not have its own, dedicated employees, labor costs chargeable to the affiliate result from direct assignment as discussed above or application of the general allocator addressed above. After labor, the most significant sharing of resources by Allband with its affiliate is the shared or joint use of plant. To address charging the affiliate for use of plant, Allband has developed leases based on fully distributed cost principles to support charges to the affiliate for plant.

FCC 16-94 July 20, 2016: III. Discussion, Letter D - Support for Improper Expenditures

Allband has begun a process of acquiring a comprehensive understanding of the FCC's Part 32 accounting rules together with the FCC's Part 64, Subpart I cost allocation rules. This process includes, at the start, engaging JSI to review with company staff accounting practices with a focus on the accounting issues mentioned by the FCC in the Order. Additionally, Allband's controller has attended JSI accounting and separations seminars. As part of the JSI accounting seminar, Allband has received a copy of the JSI Accounting Manual which includes, in addition to the Part 32 rules, comprehensive discussions and guidance regarding those rules. The JSI Accounting Manual has been developed by JSI staff members who are CPAs with extensive experience in telecommunications accounting. One of the principal authors of the JSI Accounting Manual is a CPA with over thirty years of experience including as part of large national accounting firm, accounting management at mid-sized ILECs and significant regulatory experience. Moreover, this individual has a legal background. Accordingly, the JSI Accounting manual together with JSI accounting assistance reflects an understanding of telecommunications accounting informed by comprehensive research of FCC rules and orders circumscribing those rules with proper legal citation.

FCC 16-94 July 20, 2016: III. Discussion, Letter F - Allband Must Bring its Cost Accounting Practices into Compliance with the Commission's Rules

In addition to the aforementioned, the following provides additional activities in which Allband has undertaken in its corrective actions:

- Christine Duncan, CPA, Director of Separations in JSI's Greenbelt, MD headquarters, spent three days on-site in Curran, MI. A substantial amount of time was spent reviewing time reporting with Ron Siegel, General Manager; Tammy Veasy, Controller; plant personnel, and customer service representatives. As part of the time reporting training, Allband's time reporting process was reviewed including working through several actual scenarios of how to assign time for specific types of work functions. Additionally, each line of the time sheets was reviewed and corrections made where needed to adhere to the proper Part 32 Uniform System of Accounts (USOA) assignment. Allband has timesheets set up to include the most commonly used account numbers and work functions. Additionally, Allband has a set of timesheets for both the Cooperative and its subsidiary Allband Multimedia ("AMM").
- First and Second Quarter 2016's assignment of the payroll hours reflects these corrections and also direct assignment of time to the extent possible to either ACC & AMM according to job function. After the corrections were made, a general allocator was calculated by excluding Ron Siegel, General Manager and Tammy Veasy, Controller's time. ACC's general allocator ("GA") factor was then applied to Ron's time for those work functions that were common between ACC & AMM. If not directly assigned, the GA was applied to the following work functions: HR Management, Board Meetings, Executive Oversight. ACC's GA was applied to Tammy Veasy's time for those work functions that were common between ACC & AMM: HR Management and Accounting & Finance Analysis.
- Allband's Controller, Tammy Veasy, attended a four day JSI Separations and Access Conference during the week of September 19, 2016 in order to gain a more in depth understanding of the Part 32 USOA and the jurisdictional separations process. The agenda and bio of the two instructors are attached.
- The following leases have been calculated at fully distributed cost for shared use of assets: Switch Lease for the customers of AMM's use of ACC's soft switch and Transmission Lease for AMM's use of ACC's Router.
- Billing and Collection functions/expenses are directly assigned to each entity. When Allband receives a payment, makes a billing change, or sends collection notifications, Allband directly assigns the time to the appropriate entity.
- Other **non-payroll** common/joint expense allocations:

Joint use for general support assets and related expenses: ACC & AMM non-payroll related, common expenses will be apportioned based upon the allocation factor of total company direct payroll hours.

Additionally, as part of the cost study process, allocations made to regulated and nonregulated general support will be reviewed and, if necessary, adjustments made to remove any non-regulated not identified during the course of the year.

Plant Non-specific expenses: ACC & AMM non-payroll related, common expenses will be apportioned based upon the allocation factor of total plant personnel's direct payroll hours.

Customer Service expenses: ACC & AMM non-payroll related, common expenses will be apportioned based upon the allocation factor of total Customer Service personnel's direct payroll hours.

Corporate Operations expenses: ACC & AMM non-payroll related, common expenses will be apportioned based upon the allocation factor of total company direct payroll hours.

- Any non-routine expenses will be reviewed with the use of 47.C.F.R. Part 32 and the use of the JSI Accounting Manual which is based on the text of the Part 32 USOA along with expanded explanations for each account together with examples.
- Allband will perform a year-end review of all non-routine (routine comprising payroll, overheads and monthly-recurring entries) entries to ensure that no expenses escaped application of the foregoing procedures.
- While AMM has more subscribers than ACC, the amount of effort for many of the corporate functions, especially in accounting, the amount of effort for each is often not dependent upon the number of subscribers. For instance, the regulatory entity, ACC, has a much larger regulatory requirement for compliance than the nonregulated AMM. ACC being a cooperative has obligations to its members that are not required for subscribers outside ACC.

September – January 2017: Additional Corrective Actions in Response to Issues Raised by USAC During its Ongoing Special Review

Following are additional corrective actions being undertaken by ACC in response to findings by USAC during the course of the "Special Review."

1. USAC Special Review Sample #12 – Website Maintenance

The USAC Special Review Sample #12 comprised a charge by Allband of \$210 to Account 6124, General Purpose Computer expense. The \$210 charge represented website maintenance costs. USAC noted that Account 6124 is not the proper account for website maintenance costs. In turn, USAC concluded that the website maintenance costs should be charge to Account 6610, Marketing expense.

Allband agrees that website maintenance charges should not be accounted for in Account 6124 as General Purpose Computer expense. However, disagrees that the entire charge for website maintenance should be accounted for entirely in Account 6610, Marketing expense. To our knowledge, FCC rules and orders do not specifically address accounting for ILEC website maintenance.

The invoice for the \$210 expense indicates the charges are for website link functionality and website security. Marketing efforts through the website benefit from website maintenance. However, in addition to marketing, Allband, similar to other ILECs, uses its Internet website to post and facilitate customer access to terms and conditions, Lifeline program availability and rules, privacy policy (Customer Proprietary Network Information - CPNI) rules, regulatory compliance matters as well as applications for service.

Arguably, website maintenance expense can be accounted for in Account 6720, pursuant to Section 6720(f), as “planning and maintaining application systems and databases for general purpose computers.” However, Allband believes that its website, and website maintenance represent a common cost appropriate for apportionment to the accounts for the activities supported by the website. Therefore, Allband believes that in addition to apportionment to Account 6610, Marketing Expense, portions of website maintenance expense should be allocated to Account 6623, Customer Services and Account 6720, General and administrative. Moreover, Allband recognizes that apportionment between regulated and nonregulated costs must be made to the accounts to which website maintenance is charged pursuant to the procedures for regulated-nonregulated cost allocations or affiliate transaction charges.

Corrective Action Plan-Website Maintenance Costs The corrective action associated with this finding is development by Allband a guideline for accounting for Internet website maintenance costs comporting with FCC rules and orders. Allband will annotate its copy of the JSI Accounting Manual to indicate treatment of transactions of a recurring nature to augment its general reference to the JSI Accounting Manual in making determinations regarding new types of transactions.

2. USAC Special Review Sample #14 – iPad Air Case

The USAC Special Review Sample #14 comprised a charge by Allband of \$95.40 for an iPad Air case to Account 6124, General Purpose Computer expense. USAC noted that this “cost should be apportioned among the plant specific accounts that the individual’s time goes to and not general purpose computers 6124.”

Allband agrees with USAC.

Corrective Action Plan-Outside Plant Clothing Allowances: The corrective action associated with this finding is development by Allband a guideline for use of Account 6124, General Purpose Computer expense by way of addendum to the JSI Accounting Manual section on Account 6124. This addendum will include mention of items identified by USAC that have been charged to Account 6124 that should have been accounted for otherwise. In addition to the items identified in USAC samples that have been incorrectly charged to Account 6124, Allband, with the assistance of JSI, will add other examples. For each example identified in the addendum, Allband will indicate the correct accounting, pursuant to the Part 32 USOA and relevant FCC orders.

It will be the procedure for Allband accounting personnel to review the Allband Modified JSI Accounting Manual to support determination of proper accounting under FCC Part 32 for all expenses for which a firm understanding of proper accounting does not already exist.

3. USAC Special Review Sample #24 – Work Clothing

The USAC Special Review Sample #24 comprised a charge by Allband of \$200 for clothing to Account 6534, Plant operations administration. USAC noted that unless the employee receiving the clothing “is acting in an administrative capacity, a more appropriate classification may be to where he devotes most of his time.” The individual, an outside plant technician, was not working in an administrative

capacity. Therefore, Allband believes outside plant clothing allowances should be charged to Account 6512, Provisioning for clearing of the respective employee's time to maintenance and construction workorders.

Corrective Action Plan-Outside Plant Clothing Allowances: The corrective action associated with this finding is development by Allband of a guideline for accounting for outside plant clothing allowances. Allband will annotate its copy of the JSI Accounting Manual to indicate treatment of transactions of a recurring nature to augment its general reference to the JSI Accounting Manual in making determinations regarding new types of transactions.

4. USAC Special Review Sample #25 – CPR Engineering

The USAC Special Review Sample #25 comprised a charge by Allband of \$3,993.70 to Account 6535, Engineering. The USAC reviewer inquired as follows: "Do you consider this amount entirely regulated and, if so, why. Secondly, why engineers and not accountants in support of CPRs."

Allband does not consider the amount entirely regulated. ACC's continuing property records ("CPR") include all plant, whether used for regulated ACC operations or AMM nonregulated operations. Any assets that are specifically identifiable as being entirely nonregulated are excluded from any regulated cost study development or data submissions. Any assets that are common, used for both regulated ACC and nonregulated AMM activities, are subject to allocation between ACC and AMM.

With respect to the use of engineers instead of accountants, engineers were involved principally for the purpose of breaking out the individual units comprising plant assets and matching costs with the individual units to comply with FCC CPR requirements.

Notwithstanding the use of an engineering firm and payment thereto, Allband recognizes the Part 32 USOA prescribes that CPR development and maintenance costs are charged to Account 6720, General and Administrative. Specifically, Section 32.6720(c) includes "property accounting" among costs to be charged to Account 6720 as follows: "Providing accounting and financial services. Accounting services include payroll and disbursements, property accounting, [...]."

Corrective Action Plan-CPR Engineering Expense The corrective action associated with this finding includes annotation by Allband to its copy of the JSI Accounting Manual regarding accounting for charging of all expenses associated with maintenance of the CPR, including payments to engineers, to Account 6720. With respect to allocation of CPR costs to nonregulated, non-directly assignable or attributable costs in Account 6720, i.e. common costs, are allocated between regulated and nonregulated activities based on the total company wage factor (see Exhibit H provided to the USAC on November 9, 2016).

5. USAC Special Review Sample #40 – Business Cards

The USAC Special Review Sample #40 comprised a charge by Allband of \$26.49 to Account 6720, General and Administrative. The \$26.49 charge represented payment to Vista Print Business cards for creation of cards to support the sales and marketing activities of an employee and thus should have been charged to Account 6610, Marketing expense.

Allband agrees with USAC that such charges should be charged to Account 6610, Marketing expense.

Corrective Action Plan-Business Card Expense The corrective action associated with this finding is development by Allband of a guideline for accounting for business card purchases comporting with FCC rules and orders. Allband will annotate its copy of the JSI Accounting Manual to indicate treatment of transactions of a recurring nature to augment its general reference to the JSI Accounting Manual in making determinations regarding new types of transactions.

6. USAC Special Review Findings Regarding Payroll Timesheets

The USAC Special Review noted issues related to timesheets for which transition to a new timesheet system, “Harvest”, that automatically summarizes the time and eliminates these types of errors.

- a. “We noted 0.50 [hour] of time for customer service (662300) in the quarterly summary on Tammy’s tab that does not show up in her detailed time report for Allband Coop. Was this an omission or perhaps there is another explanation?”

Allband reviewed the timesheet and agrees an error was made in the manual entry of weekly time into the summary.

- b. “Nick (4/9), please provide support for the following times:
 - i. 1.25 on Wednesday charged to Update RT Tickets
 - ii. 4.25 on Thursday charge to Other Work Equipment Maintenance”
 - iii. 1.75 on Wednesday charged to Marketing
 - iv. 1.25 Thursday charged to Business Model
 - v. 1.25 on Tuesday charged to Operations management.

With respect to i, the 1.25 hours charged to Update RT Tickets, the description on the timesheet did not provide information sufficient to support finding the tickets related to the updates mentioned on the timesheet notwithstanding searching through hundreds of tickets.

With respect to ii, the 4.25 hours charged to Other Work Equipment, notations on the timesheet indicated that notwithstanding being written in the Other Work Equipment category the time was supposed to be in Vehicle Maintenance. Allband provided a payroll summary to USAC showing that the time was charged to Vehicle Maintenance. Allband believes that this finding was resolved satisfactorily.

With respect to iii, the 1.75 hours charged to Marketing, the description on the timesheet did not provide information sufficient to support finding the tickets related to the work. As explained often by Allband, the primary focus at the time of the charge was local loop expansion within the Cooperative study area supporting that the work efforts would have been related to regulated marketing activity.

With respect to iv, the 1.25 hours charged to Business Model, the description on the timesheet did not provide information sufficient to support finding the tickets related to the work. As explained, the primary focus at the time of the charge was local loop expansion with the Cooperative study area supporting that the work effort would have been related to regulated work on the Business Model.

With respect to v., the 1.25 hours charged to Operation management, the timesheet comprises the support for timekeeping activity.

Corrective Action Plan-Timesheet Documentation:

- A. Additional Timesheet Training Allband believes the time reporting queries mentioned by the USAC reviewer do not related to misstate of regulated costs. Notwithstanding, Allband agrees that the time reporting can be enhanced to provide clearer indication of the nature of the work for each time entry and, where applicable, associated tickets. To this end, Allband has completed additional timesheet training. The additional timesheet training included, among other things, direction to include ticket numbers where applicable along with customer information.
- B. Implementation of New Automated Timesheet System Allband has launched a system for inputting of manual timesheet data by employees called Harvest. Once a timesheet is input into Harvest by the employee, the Harvest timesheet record reflects all information on the manual timesheet, including, where applicable, ticket numbers. Harvest serves, among other things, to mitigate mathematical errors in time reporting and searchable documentation of ticket numbers.

7. USAC Special Review – Samples #33, #36 & #37 per FCC-133 Food is Not Permitted

The USAC Special Review noted issues with samples 33, 36 & 37 which included food related expenses in the amount of \$14.71, \$25.02, and \$21.52, respectively. Allband booked the business food expense found in Samples 33, 36 & 37 as proposed in FCC-16-33A1, in which \$65.450 Net income is revised to include food for business reasons and the regulation which Allband relied upon for compliance. Sample #33 comprised food expense for the purpose of Allband's annual financial audit's opening meeting which included the CPA audit team, Allband staff, and board members. Sample #36 comprised food expense for a meeting in Hillman with Turtle Lake to discuss adding additional telephone lines. Sample #37 food expense was for a meeting with Telecommunications Association of Michigan, State Senators and Representatives in Lansing to discuss telecommunication issues.

Corrective Action Plan-Food Expense:

Allband has created a sub-account 672020 – Food – Non-Reimbursable to isolate these expenses so they are treated properly during the cost study process. Allband has reviewed all food expense entries in the 2016 ledger and directly assigned all business food expense for regulated activity not as a result of business travel, to sub account 672020, including samples #33 and #36 above. Further, Allband has set the default account to 672020 on the credit card food charge code to ensure the future expenses are correctly assigned.

Additionally, Allband included further corrective action after USAC clarified the FCC's position on business food expense in a verbal response to Allband's response to the aforementioned samples during the weekly status call with USAC on 12/13/16. It is Allband's understanding from USAC that all business related food expense for a regulated activity are non-reimbursable unless they are in the direct course of an employee on business travel more than 50 miles from study area.

Allband has comprehensively addressed every issue regarding possible compliance errors, including those documented in the July 20th Order and the ones raised by USAC in emails to Allband during its special review, which is ongoing. In some cases, Allband believes that the “finding” does not indicate a compliance error and has indicated to USAC, with appropriate support, its belief in that respect. In other cases, Allband agrees that a finding does indicate a compliance error and has indicated to USAC the corrective actions Allband is undertaking. Where Allband is undertaking corrective action, it is doing so presently.

Notwithstanding any issues raised by USAC for which Allband may not have the benefit of comprehensive feedback, Allband has, with the assistance of JSI, undertaken to develop and implement corrective action.